

# carolina planning

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# Introduction

In describing the nature of this state or this region, the term 'rural' is somewhat less than illuminating. To the Census Bureau, places with less than 2,500 residents are rural. With the 'population turnaround' of non-urban growth across the nation, the 1980 Census may be interpreted to show a phenomenal rediscovery of rural living in North Carolina and elsewhere. Alternately, some observers interpret recent 'rural' growth as the latest stage in the nation's urban settlement pattern. They point out that good roads have opened up once-remote areas to commuter lifestyles, that sprawl and low-density settlement are today's urban development patterns, that farming and other traditional rural occupations continue to decline despite the rural population shift. With these conflicting characterizations and semantic warnings in mind, *carolina planning* presents this special issue on rural planning.

A number of authors contribute to a section on agricultural preservation. Leon Danielson provides an economist's perspective on some of the tools used by planners desiring to preserve agricultural lands. Bill McElyea deals with preservation strategies by laying out the experience of one community--Orange County--which has tried to assemble the whole range of agricultural preservation tools available to planners in North Carolina. For comparison, Timothy Beatley provides a brief overview of the agricultural preservation tools available to planners in the state of Oregon, often considered the leading state in this field.

Two articles briefly discuss special farming issues. Kathy Evers and Ginny Faust look at new strategies for farmers seeking alternatives to tobacco, and illuminate some ways local planners may help farmers make the switch. Jane Buckwalter provides a synthesis of recent studies on migrant farmworkers, pointing out the compelling need for public intervention in this area.

Several articles have a strong rural land use focus. Julie Shambaugh presents a brief synopsis of a complex water supply situation in Orange County: the proposed Cane Creek reservoir project. This case underscores some troubling urban-rural equity issues. In an article on the western Appalachian counties, Joanna Mack looks at the planning response to recreation-induced land use changes, trying to suggest some of the underlying causes of the patterns of response, and offering some suggestions for improvement.

Economic development has become a major planning issue for rural and small town areas. Emil Malizia and Sarah Rubin report the results of a seven-state survey of local economic development strategies. The study identifies locally controlled and based approaches to rural economic development through methods that may be effective without the infusion of federal aid.

This special issue of *carolina planning* has only touched on selected rural subjects of interest to planners. In a period of rapidly shifting demographics, a great need exists for a fuller appreciation of the nonmetropolitan resources of the southeast. Sensitive planning may enable new development to conserve those resources which should remain intact, and to enrich those rural resources which do change.

## *carolina planning*

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## carolina forum

### An interview with Mark Epp of the Graham Center: The Future of Small Farming

*To most of us, the 1980s may not seem as disastrous as the 1930s. But for many small farmers in America, the current decade is almost as bad. In the thirties, tenant farmers were losing their shirts as government programs paid big landowners to keep their land out of production. In response to this economic disaster, The National Sharecroppers Fund was established to assist tenant and low income farmers.*

*In 1972, the Fund christened its new Frank Porter Graham Center, a small enclave in rural Anson County, N.C. The Graham Center offered training and educational programs to low income farmers, and experimented with alternative methods appropriate to small scale farming.*

*About a year ago, the Graham Center re-evaluated its role in response to the worsening situation of small farmers. In the following interview, Mark Epp, on staff at the Graham Center, discusses how the Graham Center has changed its methods while focusing on new twists in the decades old problem: Can the small farm survive?*

**carolina planning:** What are the overall goals of the Graham Center, what kind of projects are you involved in, and what are your strategies?

**Epp:** We can start way back with the history of the organization and go through it a little bit to help us understand where we are today. It goes back to the 1930s and the plight of the rural farmer, the tenant farmer and the sharecropper. Roosevelt put the Agricultural Adjustment Act in motion during the early 1930s. It was designed to help increase prices by decreasing supply. That was the first time that concept had ever been used. What farmowners did was to plow up cotton and kill off livestock. That meant tenant farmers and sharecroppers were forced off the land because the landowner could get by with less labor.

When the checks came to reimburse the landowners for participation in this program, the landowners started to mechanize. They converted those checks into machinery, which meant they needed even less

labor. More tenant farmers and sharecroppers were forced off the land and moved to Northern cities.

But it was a struggle. Farmers came together to form the the American Farmers Tenant Union in Arkansas. It was one of the first mixed-race unions that existed in the United States, and it was struggling along to increase benefits going to these tenant farmers and sharecroppers. That's when a group of Northern liberals came together to support their efforts. They put together what's known as National Sharecropper's Week--a week of exposure and fundraising to help this union get on its feet.

In 1937 that effort became known as the National Sharecroppers Fund (NSF), which supported the union and small farmers and later on gave money to coops in the South. They organized a center which trained a lot of people who are still around in grass roots organizations and farmers' co-operatives today.

The National Sharecroppers Fund/Rural Advancement Fund is the Graham Center's parent organization. The National Sharecroppers Fund was established first. It is not tax-exempt, which allows it to lobby. The Rural Advancement Fund (RAF) was born in 1966, when tax-free status was easier to obtain. It receives the bulk of the donation. In 1972 the Graham Center was started by NSF/RAF. The idea was to establish a national training center for low income farmers in alternative methods and crops, to show that small farms were viable.

**cp:** How small is small?

**Epp:** Well, the farms that this center worked with in the past ranged anywhere from garden-sized plots to 100 or maybe in some cases 150 acres, but most of the farms were between 10 and 50 acres. The idea was to help limited resource farmers who had "few options", and to demonstrate that they had alternatives.



That was the nature of this Center three or four years ago. One component was agricultural research and demonstration on the Center's farm to prove the effectiveness of alternative methods. Another component was education work, extension activities, and community outreach. The resource center here was an advocacy and research arm of the Center's activities.

Over a year ago we had a staff meeting where we critically examined our programs and their effectiveness. We looked at the problems in agriculture and asked, "What are the trends we see now and where will they lead us 10 or 20 years down the road?" We saw this was a depressing future.

At that point we started a process we've been involved in all year--shifting away from doing demonstrations and farming here at the Center. We are moving towards advocacy, public policy, organizing, and working with groups of farmers wherever they are instead of asking them to come here and be educated. We have three staff people working in different parts of the state, on different projects.

cp: What was the reasoning behind the shift?

Epp: We felt that demonstrations, no matter how good they were, would always be seen as institutional, relying on capital, resources and expertise, and therefore not applicable to the individual farmer. What we have probably done here through demonstrations is not to prove that all alternative crops or methods are viable or not viable but that the institutional structure is not a good way to farm. Logistically if this is the place where the demonstrations take place only a certain number of people will ever be able to come here and see them.

We also felt that what we were offering with these demonstrations and alternative crops and methods were individualistic solutions that the Agricultural Extension Service has offered for years, perhaps contributing to where we are today. We wanted to get at changing the structure of agriculture where there would be group solutions of empowerment and decision-making policy. Every time farmers think they can improve their situation by either growing another crop, finding another market, using a different method or cutting a cost, it may work for one farmer and it may work for a while but it does not have an impact on the structure that eventually drives farmers off the land.

cp: What did you see when you looked 20 years

down the road?

Epp: What we saw was an increasing concentration of wealth, particularly land ownership. This is a trend that will probably get worse. We saw a tremendous dependency on nonrenewable energy resources to carry on agriculture as we know it now. We saw an increasing monopoly of the food production, marketing and distribution system. Any steps towards a sustainable agriculture have to begin with attacking these problems.

One of the other things we talked about which is more elusive was economic and social justice. The greater the concentration of wealth, the more repression is necessary to maintain it. We saw that coming down the road and felt that a lot of work is going to have to be done in the area of economic and social justice.

cp: What kinds of things has the Graham Center done to attack these four problems?

Epp: In the past most of our work has concentrated on demonstration and education on alternative crops and methods. We have provided information on alternative crops and methods, which means you don't have to grow monoculture soybeans year after year and use these chemicals, fertilizers, herbicides and pesticides in order to make it. You can use crops in rotation and certain non-chemical additives that will help you increase profits, decrease your dependency on someone else selling you something, and move towards a healthier environment.

We're also involved in helping to establish production and marketing cooperatives so groups of farmers will be able to purchase inputs at reduced prices and market their products. Another marketing activity is the establishment of tailgate farmers markets in Wadesboro, Charlotte and Rockingham. We've participated in an advisory capacity in a couple of other towns as well.

cp: Are these the kinds of things you're continuing to do?

Epp: We will probably not continue to establish new farmers markets. What we will do, if there are people who want to start a farmers market, is put them in touch with someone who can help them start one. There's an agriculture marketing project here in North Carolina that has set up markets in other areas. There are markets that already exist and farmers who could easily teach other farmers how to begin, so we're not going to hire staff people to

do that. We will definitely link up people where the opportunity exists.

I recently met with Jennifer Henderson who's the head of the N.C. Hunger Coalition. They have chapters throughout the state. They're fighting for more federally funded food programs, and are beginning to organize food buying clubs with the food stamp recipients they work with. We were talking about the networks that need to form between groups of farmers and groups of food buying clubs. Direct marketing is one of the key factors in changing the structure of agriculture.

cp: What else is the Graham Center doing to address the problems it perceives?

Epp: Our public policy and research component does a lot of public speaking, not only here but in other parts of the U.S. Cary Fowler, who works for the National Sharecroppers Fund in Pittsboro, N.C., studied and spoke on the seed issue, which contributes to the concentration of power in agriculture.

cp: Only in this instance, it's concentration of genetic knowledge.

Epp: This is one of Cary's major points. There are seed storage centers that are supposed to preserve varieties of seeds, but the freezers can fail, or rats can come in and eat the seed, and hundreds of thousands of years of genetic resources are destroyed. Cary sees the U.S. budget as a major problem. It has only \$40,000 designated to go for collection of varieties that can be stored in the U.S. seed banks.

cp: Is it then partly a matter of public education?

Epp: Yes. Cary is writing a book, and once it comes out there will be a lot of publicity on the seed issue. He published a seed directory several years ago. It lists sources of seed companies, groups or families who have seeds available for old-timey fruits and vegetables.

Another area the Graham Center is becoming involved in is rural organizing. In Henderson County, North Carolina, one of our rural educators is working on property taxes. The revaluation is being done in that county this year and everybody's rates doubled or tripled. She's helping people understand property taxes and the options. For example, farmers can sign up for a present use valuation. There's also a deferment for elderly people who are over 60 years old or disabled, which brings their property tax down if they

qualify. There were community clubs already formed in the county before this issue surfaced, so she's working through them.

cp: What types of lobbying activities is the National Sharecroppers Fund involved in?

Epp: At some point we'll be having an impact on state policy as it's formulated in the Legislature. Right now agricultural policy is basically formulated by the Agriculture Extension Service, Farm Bureau, and some of the other power lobbies, like tobacco, poultry, and beef producers. Small farmers just don't have a voice at all. We hope to be putting together a constituency of small farmers that can speak for their own interests.

cp: Do you find that small farmers are harder to organize, that they're very independent?

Epp: I don't know that they're any more independent than other folks. Maybe they are to a certain extent. It's partly because of cultural things, and partly because of a very strong identity with a piece of land. But another strong factor is that small farmers have been forced into taking on that role by advertising. When you read farm magazines and you see the kinds of things that are meant to appeal to a farmer, you can see this. The message is self-sufficiency, of owning your own machinery and working on a piece of land. It wasn't that way in the early days. Talk to anybody. There was lots of sharing back and forth, lots of group activities. Farmers are not individualistic by nature or historically, but I think that there's been a push in that direction.

cp: Kind of divide and conquer.

Epp: Exactly. That's one thing. The other thing is that you have more consumers that way. You can sell more products when you have people behaving like that. But when farmers understand that there's something that's after them directly, that they're being taken advantage of somewhere, they will get together. There are things that they will have to overcome, but they'll work together. Farmers' organizations, like the Non-Partisan League in Minnesota and in North Dakota have a fertile history. They have taken on the world and we don't ever hear about them. No, I don't think farmers are any more individualistic by nature or tough to organize than other people.

cp: It sounds like a lot of the farmers' problems are the result of national poli-





Mark Epp of the Frank Porter Graham Center.

cies.

Epp: That's a good point because one of the major policies is the federal income tax structure, which is incredibly unfair to small farmers.

cp: How is that?

Epp: In many ways. Where does one start? The income tax structure is designed for the wealthy. It has tools all the way through it to aid the wealthy and that works in farming as well as big business. For example, there's the investment credit mechanism in which a farmer buys a piece of machinery and can deduct it. There are certain things that qualify and the things that qualify are those that only a farmer with a lot of capital or a large volume operation would want to buy.

cp: People with a lot of money can take the tax credit?

Epp: Right. So that mechanism allows farmers to invest and then write it off their taxes. Those kinds of farmers will not have to pay any taxes at all, whereas a small, struggling farmer is not able to use the tax credit.

cp: Are there laws that can be enacted on the state level that could address other problems?

Epp: Certainly there are things that can be done at the state level. Some states put together laws that limit the amount of land that farmers can own, or in the case of Minnesota, that corporations can own. Or they can prevent foreign ownership. Some states encourage older farmers who don't have heirs who want to farm to transfer land to young farmers who do want to farm, but don't have the capital. Those things are done at the state level.

cp: What role does the Agricultural Extension Service play in terms of agriculture policy?

Epp: We have to start back at the land grant college, because that's where the Extension agents are trained, and where the decisions are made. The first thing you should understand about them is that they function like corporations. They compete with each other for the best professors and students. They also compete with each other for grants from large corporations to conduct research. The land grant colleges were originally established to be a people's college, for rural people, to take care of their problems and work out solutions. Whatever the problems--agricultural, social, marketing or food storage problems--the land grant colleges were there to help. But the land grant system has been co-opted and taken over by the large corporations. They use public funds to subsidize their efforts. Jim Hightower has done the best work on this, Hard Tomatoes, Hard Times, which is an exposure of land grant colleges.

For example, policies recommending what crops to plant come out of N.C. State University. And that goes for the chemicals farmers use for controlling insects to the fertilizers applied. All of that comes out of the land grant colleges and it comes in a package to the Extension agent. Agents go back for periodic training, and the experts come out occasionally to hold workshops for other farmers and agents. Once in a while the representative from the company comes to update the Extension agent and you see the agent wearing a cap that says Monsanto. That's what it amounts to: from the researchers to the Extension agents, they are simply selling the companies' products.

Realistically, there are differences in the Extension Services from state to state. From the little bit of exposure that I've had, South Carolina tends to be somewhat more responsive to the farmers' needs than does North Carolina. There are differences from county to county, and differences between agents. Some agents

are very good. For example, I've met agents in the western part of the state who seem to want to get out and really understand and help farmers. They are proud of the work they do. I've heard people say that in the eastern part of the state, in the counties where agribusiness is very strong, you couldn't get agents out on the farm at all. They just sit in their office and make telephone calls.

But it is land grant colleges, Extension Services and FmHA (Farmers Home Administration) who make available the capital which moves farmers into the situation which they are in today. Farmers get over-extended and many are in a precarious financial situation. Bankruptcy and Farmers Home Administration foreclosures are increasing. The trend in Wake, Orange and Chatham Counties is still upward.

A lot of this is the result of recommendations to get bigger, use sophisticated confinement operations, and invest in a lot of equipment. Then in bad years when prices are low, this puts farmers into a difficult financial situation. It's happening across the country. Dealerships are going out of business, worried that nobody is going to buy machinery.

cp: Who takes over those farms once they've gone into bankruptcy?

Epp: Banks and insurance companies. Prudential is buying thousands of acres in Nebraska. Then they rent it out. The land is more profitable to own than it is to farm. That's a quote from an agricultural economist at the University of Missouri. That again goes back to the structure of income tax, which rewards those who own something, especially land. The pricing structure is not there to reward you for working land and selling a crop.

cp: What can planners do to help solve some of these problems besides enacting zoning and development ordinances?

Epp: Planners can research the structure of agriculture in their area, to find out who is getting agricultural credit. Also, it's good to know what kinds of crops are being exported or sold locally, and what this is worth.

Planners should also be aware of the movement to industrialize agriculture through factory farms and factory production of crops and livestock. This process eliminates jobs and removes decision-making power from individual farmers.

You get into arguments with people who say

that bringing industry into the county is the only way to make it grow and thrive. So is the solution to get industry in here without thinking about the impact it might have or what kinds of jobs are created? Who decides what kind of jobs are coming in here? Are there going to be micro-electronics jobs? Textiles jobs? Are they going to transfer jobs from other counties? None of those questions are decided by the county commissioners or any of us--just bring in industry. Or is a toxic waste dump going to locate and employ a dozen people? They want to do that eight miles down the road. Planners can work on issues such as toxic waste disposal, and water resources, not just for urban and industrial use, but for agricultural use.

cp: Are there problems between water allocations for urban versus rural use in North Carolina?

Epp: Yes. If you look at the Year 2000 Report, they're talking about water being a critical factor. There's a project to build a reservoir in Randolph County, and it's going to wipe out enough dairy farms to affect 3% of the state's milk production and 11% of the county's milk production. So what do planners look at when they're doing a feasibility study? Do they look at the needs of High Point and Greensboro--who are going to use the water--and the industries there? How much money is going to be generated from the recreation areas around the dam? How is the cost-benefit analysis computed? That's all on the surface. Behind the scenes some of the decisions that get made are based on other factors. For example, it could happen that the county commissioners are pushing for a new project because they've already bought some of the land that's going to be used, and they know the real estate value is going to skyrocket. I don't know what planners can do about that.

cp: Is there anything else you'd like to add?

Epp: People who are affected by industrial development should have some say about which industries locate in their community. Decisions about which industries complement what's already in place, benefit existing residents, and increase incomes should be made with input from all members of the community. Planners can facilitate that process.

*Ginny Faust and Kathey Ferland are Masters candidates at the Department of City and Regional Planning, University of North Carolina, Chapel Hill.*



# A Note on NC 2000

NC 2000 is by now familiar to planners throughout North Carolina. This planning effort is designed extremely broadly to investigate and assess numerous factors affecting the quality of life in the state, and ultimately to generate new courses of action for a twenty year planning horizon. Underway since June 1981, the process is only slightly off schedule. The culminating conference is now targeted for November, with presentation of final recommendations to the governor by December of this year.

Several features of the NC 2000 effort are of particular interest to planners considering the desirability and feasibility of broad-based planning methods in one southeastern state. The various successes of NC 2000 to this date underscore a continuing popularity and potential strength for rational, problem-oriented, participant-rich planning on the state and sub-state levels. These strengths are particularly notable in the context of a federal administration inimical or downright hostile to long-range planning. NC 2000 may provide both lessons and encouragement for planners.

1. A strong proponent can still propel a planning effort a long way. Since instituting NC 2000 in mid-1981, Governor Hunt has managed to pull together some of the best thinkers and leaders in the state, all to focus their efforts on the state of the state twenty years down the road. These work efforts will show results in legislation to be drawn up by the NC 2000 Commission, and also sponsored by the governor.

2. State, regional, and local agencies can be effective partners in a broad-based planning effort. State agencies, councils of governments, city governments, universities, and 99 of the 100 counties have cooperated in providing information, work resources and guidance to the planning process.

3. There is great interest in and demand for citizen involvement in long-range planning. More than 10,000 citizens have actively participated in the local NC 2000 committees. More than 100,000 citizens filled out and submitted NC 2000 questionnaires on quality of life perceptions.

4. Planning induces major research efforts of intrinsic value. NC 2000 has commissioned university faculty, private sector specialists and public officials to research some 75 general topics. These include, for example, citizen involvement, criminal justice, and managed growth under the Community panel; skill training and business support, international trade potential, and technology's impact on the economy under the Economy panel; water resources, farm-

land, and hazardous waste under Natural Resources; and basic literacy, access to higher education, and environmental health under the People panel. Technical papers were completed in late April, and will be available this summer in a compendium published by the Editorial Committee. This research should be of long-term use and interest.

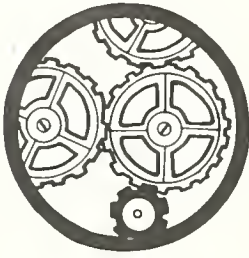
5. States and localities need not blindly follow federal trends in planning. NC 2000 is an excellent example of a strong planning effort going against the federal anti-planning trend.

According to Noel Dunivant, staff director and coordinator for NC 2000, planners have been involved in NC 2000 in at least three capacities:

- (1) as staff for the NC 2000 Commission. Planners and policy analysts from the state Department of Administration Office of Policy and Planning compose the Commission staff.
- (2) as technical experts. Planners have written a number of the research papers commissioned by the NC 2000 panels.
- (3) as local facilitators. City, county and regional planners throughout the state have been instrumental in generating interest, information and involvement in NC 2000 at the local level.

NC 2000 is a major planning effort, representing the commitment of the governor, the NC 2000 Commission and the people of the state to a rational planning process for North Carolina. In such a broad-based planning effort involving so many different interests, a key to the process now will be focusing the Commission's voluminous, sometimes conflicting or politically sensitive findings on some difficult and substantive courses of action available to the state. It is in the interest of the planning community to continue to encourage and foster the work of NC 2000 in identifying and debating creative, down-to-earth, implementable actions which effectively address the problems brought before the Commission, and which can favorably guide the state between now and the year 2000.





## In The Works

### PILOT LEVERAGING PROGRAM IN ROCKINGHAM, NORTH CAROLINA

The city of Rockingham is one of two North Carolina cities to participate in a pilot housing rehabilitation leveraging program through the North Carolina Department of Natural Resources and Community Development. The program uses Community Development Block Grant dollars to leverage private funds. With \$605,000 of CDBG funds and a commitment of \$900,000 from Richmond Federal Savings and Loan, two loan programs were financed for the rehabilitation of rental and owner-occupied housing.

Under the rental program, the city borrows funds from the local savings and loan on a tax exempt basis (acting as a Redevelopment Commission). It then designates the savings and loan as the city's agent to lend these funds to qualifying property owners (identified by the city) at an interest rate below the current market rate. Loans will be made at approximately 13% to owners for rehabilitation of rental properties within Redevelopment Areas.

The loan program for home owners in the CD Target Area uses CDBG funds to reduce the principal of a conventional home improvement loan. Based on a sliding income scale, these loans will have effective interest rates ranging from 3% to 12%. Homeowners whose incomes are below 80% of the Section 8 income guidelines are still eligible for a direct grant for rehabilitation.

For more information, contact Sandy Ridley, Community Development Coordinator, Community Development Department, 112 Skipper Street, Rockingham, NC 28379, (919) 997-5646.

### SAVANNAH'S RESOURCE RECOVERY PROJECT SURVIVES BUDGET CUTS

Savannah's Sanitation Department has successfully eluded the federal budget-cutting axe. In 1979 Savannah was selected by EPA as one of 63 communities nationwide to determine the feasibility of a resource recovery waste-to-energy project in the local community.

Savannah's project is to construct a plant of about 450 tons per day rated capacity for burning municipal wastes and generating steam or electricity. The objectives are to reduce or eliminate city disposal costs, and the disposal fee to private firms and local communities while providing substantial savings to the energy user.

Feasibility had been determined and construction plans were underway when the 75% federal funding was severely cut back in 1980. Responding to the challenge, city officials devised a plan to complete the resource recovery facility at less cost to the federal and local governments, and in less time than under EPA project stipulations. Funding for the facility will be provided by extension of tax exempt revenue bonds and equity participation from several local firms. Investment tax credits, energy tax credits, and depreciation benefits accrue to the equity participant.

As construction of the recovery facility moves ahead, the city has already received offers for the purchase of its steam and electricity.

For more information, contact Jeannette Phillips, Planner, Chatham County-Savannah Metropolitan Planning Commission, 2 East Bay Street, Box 1027, Savannah, GA 31402, (919) 236-9523.

### CHARLOTTE COMBINES TRANSPORTATION AND LAND USE IN STRATEGY FOR THE 1980s

Charlotte-Mecklenburg, North Carolina has begun a unique policy process for selecting a transportation strategy for the 1980s.

The Charlotte-Mecklenburg Planning Commission and the Charlotte Department of Transportation have developed a Transportation Action Plan which recognizes the many interrelationships and interdependencies between land use and the transportation system.

Four possible land use futures have been examined--concentrated urban, urban, suburban, and dispersed suburban--and identified as mutually reinforcing, compatible or incompatible



with different transportation systems. The transportation system includes not just roads and buses, but also traffic signals, bus shelters, maintenance facilities and marketing programs.

The feasibility of each alternative transportation/land use future was determined based on constraints imposed by: transportation financing, lifestyle, the development market, energy and air quality, technology, and government participation.

The Mixed Urban/Suburban Future was chosen by the Charlotte-Mecklenburg Planning Commission as the most feasible transportation/land use future. It will be the basis for an extensive public information program on transportation choices for the balance of this decade.

For more information, contact Martin Cramton, Charlotte-Mecklenburg Planning Commission, 301 South McDowell Street, Charlotte, NC 28204, (704) 374-2205.

#### WAKE COUNTY COMMUNITIES EMPLOY ALTERNATIVE ENERGY SOURCES

The sun is now heating more homes in Fuquay-Varina and in Wake County than it did six months ago.

In 1981, Triangle J Council of Governments helped the Town of Fuquay-Varina and Wake County (on behalf of the Feltonsville community) successfully compete for grants under the Small Cities CDBG Program. The grant applications proposed, among other things: to perform energy audits; to insulate homes; to incorporate passive solar features where appropriate; and to lead energy conservation workshops.

Creative Energy Associates, a team of students working out of the Department of City and Regional Planning at UNC-Chapel Hill, is performing the energy audits, making recommendations on solar feasibility, and leading workshops in the two communities.

On February 27, the energy team led a solar window box construction workshop for members of the Fuquay-Varina and Feltonsville communities. The Fuquay-Varina High School carpentry teacher and his students pre-cut all materials and provided space for the workshop.

CEA and the CD Program staff hope to develop sufficient resources and interest locally to carry on solar energy projects after the Community Development Program concludes.

For more information, contact Bruce Knopf at Triangle J COG, P.O. Box 12276, Research Triangle Park, NC 27709, (919) 549-0551.

#### WATERFRONT REVITALIZATION IN CELEBRATION OF 400th

The town of Manteo, North Carolina has tied its plan for downtown development to a forthcoming 400th Anniversary celebration. Manteo will be the focus for the commemoration of the 400th Anniversary of the first English attempt at settling the new world. The short-lived colony was established on Roanoke Island in 1584.

Planning for the three year celebration (1984-1987) began in 1980. The major attraction will be an Elizabethan ship to be built and docked on the Manteo waterfront. A public park, a recreation area and a boardwalk along the bay are included in the Manteo plan. The waterfront revitalization is supported in part by grants and gifts of land.

The improvements have stimulated interest from the private sector in the waterfront commercial development project. The complex of shops and restaurants planned for the waterfront are consistent with Manteo's plan to develop its historic identity and to revive what was once the commercial hub of Dare County.

For more information, contact Robin Reavis, Assistant to the Mayor/Planner, Town of Manteo, P.O. Box 246, North Carolina 27954, (919) 473-2133.



# Evaluating Alternative Rural Land Use Policies

Land-use planning and policy is highly controversial in rural areas of North Carolina and the South. A major reason for this controversy is the large number of issues identified and perspectives held regarding how land in rural areas should be used. For example, four issues related to farmland retention are:

- (1) the adequacy of the supply of food and forest products,
- (2) the maintenance of rural character, open space and life style in rural areas,
- (3) economic viability of the farm and agribusiness sector in local areas, and
- (4) whether or not compensation is given when policy implementation results in lost landowner property rights.

If some persons desire open space while others are concerned for food supply, it is logical that policies preferred will also be different.

The ability of individuals to evaluate rural land use issues and problems, and to decide whether to support or reject policy proposals on issues such as farmland retention, requires an awareness of the full range of alternative policies available and what the consequences of their implementation might be. It is not enough to merely identify whether or not there is a problem; only by evaluating the pros and cons of alternatives can we make an informed decision on whether or not to support any specific proposed solution to problems that might have been identified. The purpose of this paper is to identify alternative rural land use policies being used around the United States and to evaluate their acceptability and effectiveness in dealing with issues and problems identified by urban and rural dwellers.

## POLICY ALTERNATIVES

There are many alternative mechanisms available for allocating land to alternative uses, but they fall into three basic categories:

- (1) the free market,
- (2) incentive programs, and
- (3) regulations.

### The Free Market

Continued reliance upon the free market to

allocate prime and important farm and forest land is a viable alternative policy--one option available to address the retention issue is to "do nothing different" from what we do now.

Under the free market system, scarce resources, including land, are allocated by price and profit levels. Signals to a large number of land market participants are provided, with the result that economic returns to the scarce resource are maximized. As demand conditions change, the market mechanism results in adjustments in resource use to once again maximize the returns to the resource. For example, higher corn and soybean prices cause farmers to grow more of these crops and less of others in order to maximize the profit from farming their land. When farm profit levels are high, land is bid away from alternative uses, such as forestry on the one hand and residential use on the other. When housing demand increases, land values for that use rise, and land is bid away from agriculture. Thus, the conversion of land from agriculture to urban use is a very natural phenomenon.

There are several advantages to use of the free market to allocate land resources:

- (1) When conditions change the market is flexible. It can rapidly adjust to take account of the new situation. There is no delay to form a new policy or to adjust a land use control. Errors in projecting population growth or other demand factors can be quickly adjusted to in the market place.
- (2) The free market requires very little information from each participant in the land allocation decision making process. In contrast, a centralized decision maker (e.g., the County Planning Board) must have a very large amount of information if it is to attempt to allocate land to different uses over both a short- and long-run planning horizon.
- (3) Returns to land are already subject to changeable policy-making decisions at the national or state level. Local flexibility is required to avoid

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keeping land in unprofitable uses when national or state policy changes. The recent debate over the peanut and tobacco programs is a good example. If either program would have been completely eliminated, there might have been severe economic repercussions--but the problem would certainly be worsened if there was a policy that, for example, required that tobacco be grown.

- (4) The free market is less subject to political control and influence than are regulations established politically.

Several recent studies of the need to preserve the nation's farmland have highlighted the great uncertainty concerning the estimation of both the demand for and supply of that vital resource. Given these uncertainties, free market proponents emphasize the advantages of that approach: flexibility, rapid adjustment, the need for less information and reduced political control.

But if the free market possesses these advantages over public policies, why do we have so many state and national policies? For example, there are federal agricultural policies, housing policies, transportation policies, and economic development policies. The list goes on and on.

Put simply, there is a call for public action:

- (1) if our free market approach fails, or
- (2) if the free market does not provide an outcome that citizens and policy-makers like.

What is market failure? The free market fails if a user of land causes others to incur costs but these costs are not considered in the decision making process. If someone builds a house on a stream and the septic tank pollutes the water which downstream users have to treat--without cost to the house owner--then the market fails from society's standpoint because it did not incorporate that cost in its decision.

If a farmer builds a hog parlor upwind from a subdivision or other rural residence, and the odors "spillover" onto those residences, then the market has failed if those costs were not taken into account when the decision to locate the hog operation was made.

The point is--if someone makes a land use decision and all social and private costs and benefits are included in their calculations, then the free market works. But if others are affected and those costs are ignored then the market has failed. As a result, states have

passed land use legislation to prevent or reduce the extent of these market failure costs.

The second reason public policies are adopted is that policy makers do not like the market solution. For example, housing policy or tax policy involves redistribution of income from one group to another. However, any redistribution of income is a political decision and cannot be advocated upon the basis of economic efficiency.

Before leaving the topic of whether public policies are needed, one more point must be made. If market failure leads to spillover costs on neighbors, the cost of administering a policy to curb those costs must be less than the cost of the market failure. Otherwise, society would be worse off with the public policy.



PUBLIC POLICIES

In recent years, alternative public policy approaches, regulations and incentives, have been developed which are tailored specifically to the rural situation and to rural problems.

Regulations I will discuss include:

- (1) agricultural zoning,
- (2) transferable development rights, and
- (3) right to farm legislation.

The incentive policies I will include are:

- (1) tax policy
  - a. use value assessment
  - b. inheritance tax credits
- (2) spending power of the government
  - a. public facilities and services
  - b. eminent domain
  - c. fee simple purchase and leaseback
  - d. purchase of development rights
  - e. agricultural research and extension

#### Agricultural Zoning

The zoning approach in agricultural areas suffers from all the disadvantages under which

it labors in urban areas. Perhaps the biggest factor contributing to its lack of acceptability is its lack of compensation to property owners for lost property rights and reduced land values. Moreover, the public is skeptical because of the appearance of zoning variances being granted for development in response to political influence. Oftentimes speculation and development proceeds unencumbered by the zoning ordinance. The somewhat arbitrariness of designating agriculture zone boundaries is a potentially serious problem because of the loss of property rights for those falling within that zone. A sticky problem, and no less serious, is that of determining optimal minimum lot size within the agricultural zone. In the long run, it is not clear whether, for example, a 10-acre minimum lot size is more effective than a 1-acre minimum in preserving farmland or in giving protection to farm operations. Finally, zoning will give some protection from nuisance suits and complaints but cannot give absolute protection to normal farming operations.

Zoning lies at the extreme of the alternative approaches, being perhaps the least acceptable to farm property owners because it does not offer compensation for lost property rights. One expects the nonfarm property-owning public to be rather favorable to this approach because of its low cost to them and because of its acceptance in urban areas. However, its potential lack of effectiveness may tend to dampen this enthusiasm.

The National Agricultural Lands Study indicates there are currently 104 county agricultural zoning ordinances and 166 municipal agricultural zoning ordinances in the United States.

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PREFERENTIAL ASSESSEMENT LEGISLATION HAS  
HAD MIXED RESULTS IN STATES WHERE IT  
HAS BEEN IN EFFECT SEVERAL YEARS.

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#### Transferable Development Rights

An approach being used in some rural areas of the country is the creation of a market for purchase and sale of development rights on farmland. Thus, land can stay in farming, but the capital gains occurring because of nearby urban demand for land can be acquired by the landowner.

Development rights would be established either based upon the building densities indicated in a land use plan or on some other method, such as giving a unit of development right for each acre of land owned throughout the entire area. The market created for TDRs would then be allowed to work. Landowners within the agricultural zone where development is prohibited would be able to sell their TDRs to landowners in other zones who would be able to use them to

increase the building density on their land beyond what they would otherwise be able to do.

The advantage of this approach is that the landowner is compensated for the loss of development rights. The low cost of the TDR concept makes it appealing to the general public. There exists a general concern over the problems of implementing the market aspects of the plan.

The National Agricultural Lands Study indicates there are currently two municipal and ten county transferable development rights programs in the United States.

#### Right-to-Farm Legislation

The 1979 North Carolina General Assembly passed a law designed to reduce the potential for development of nuisance controversies in farming areas, to thereby prevent disruption of farming operations, and indirectly, to reduce the loss of farmland. The law explicitly states that, "It is the declared policy of the State to conserve and protect...its agricultural land for the production of food and other agricultural products." Further, "The purpose of this Article is to reduce the loss to the State of its agricultural resources by limiting the circumstances under which agricultural operations may be deemed a nuisance."

It should be made clear that some agricultural operations may not receive coverage under this law. For example, those operations within the corporate limits of a city on March 26, 1979, those in existence for less than one year, those involving water pollution, and those judged to be improperly or negligently managed are excluded from any protection the law might provide. Further, the Act requires that "changed conditions" be a cause of the problem. The general thrust of the law, then, is to attempt to protect from nonfarm development those well-managed agricultural operations that are currently located in agricultural areas.

The National Agricultural Lands Study indicates there are now 16 right-to-farm laws in the United States. There is general concern over whether these laws will be effective because of the difficulties related to:

- (1) defining what sound management entails,
- (2) determination of whether the operation itself was changed, thereby causing the problem, and
- (3) whether other legal means are available to accomplish the same objective as the nuisance law.

#### INCENTIVE PROGRAMS

This paper will consider two basic types of



spending programs: tax policy and the spending power of government.



### Tax Policy

#### Preferential Assessment

Forty-seven states currently have preferential assessment programs for land kept in agricultural use. Preferential assessment legislation has had mixed results in states where it has been in effect several years. Any success that might be attributed to use-value assessment is generally limited to the tax relief aspects of the legislation. However, even in this case researchers have found that tax relief alone, except under special conditions, has little effect upon the rate, extent or location of land development. Potential capital gains of selling for nonfarm development far outweigh any tax advantages that might accrue to keeping the land in agriculture. Thus, when conditions are right, that is, when the farmer is ready to retire, or a buyer is available at the right price, the land will be converted to nonfarm use regardless of the nature of the tax assessment.

Property owners favor tax relief and thus favor use-value assessment if it reduces their taxes. This enthusiasm is inversely proportional, however, to the extent to which land use restrictions are attached to obtaining the tax relief. Acceptability on the part of the general public tends to vary depending upon the extent to which taxes on farmland are shifted to the nonfarm property-owning public. This shifting is directly proportional to the extent to which an area's tax base is dependent upon farmland. Studies in other states have shown that speculators have misused the use-value taxation privilege, oftentimes finding they can hold lands off the market longer and less expensively. Thus, urban sprawl is stimulated rather than curtailed.

In sum, use-value assessment may preserve farming, but not necessarily farmland. In North

Carolina, use-value taxation is by and large a tax relief measure because of the limited restrictions applied to participants in the program. Over time, public acceptance of use-value assessment may erode because of its lack of effectiveness in preserving farmland and because of the increasing awareness of the tax shifts it creates. However, as part of a more comprehensive program of land-use planning, where use-value assessment is given in return for dedicated use to agriculture, the technique may find long-run acceptance.

#### State Inheritance Taxes

Preference for keeping land in agriculture can also be given when state death taxes are assessed. The effectiveness of the approach depends upon the amount of incentive provided. The potential high cost of such a program may make it less acceptable to the general public than other incentive approaches.

The National Agricultural Lands Study reports that 29 states have passed some form of preferential valuation of farmland for state death taxes, many patterned after the Federal Law (1976). Six states have incorporated provisions allowing the deferral of estate taxes.

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A POLICY THAT RESULTS IN FULL COST PRICING OF SERVICES IS PREFERRED AND, FURTHER, MAY FOSTER RETENTION OF FARMLAND.

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### Spending Power of the Government

#### Public Facilities and Services

The value of land for nonfarm purposes is greatly dependent upon its nearness to public facilities such as roads, freeways, schools, water and sewer systems. In a 1980 survey of farmland sales in North Carolina, I found that the price paid for land sold for nonfarm use when the land was near public water and sewer facilities, rural industry or rural housing projects was roughly double that when these facilities and services were not available.

The National Agricultural Lands Study examined in detail 130 Federal spending programs that affect land use and found that 90 stimulated the loss of farmland. These programs were related to economic development, capital improvement, housing, environmental protection and natural resources development.

There are significant policy suggestions raised by this aspect of spending power of the government:

- (1) Rather than spend money on programs

that conflict with each other, development programs and agricultural retention programs should be coordinated so that conflicts do not arise.

- (2) Local governments are undercharging the residents of new areas for the services provided. A policy that results in full cost pricing of services is preferred and, further, may foster retention of farmland.



*The value of land for nonfarm purposes depends on nearness to roads.*

#### Eminent Domain

The power of eminent domain is often used against owners who want to preserve their farmland, although compensation for land taken is made. Recent cases in North Carolina were highly publicized when farmland owners fought water supply and electricity generating reservoir projects which would have inundated their lands. They sought protection from eminent domain through the courts. Modification of the powers of eminent domain could prevent such loss of farmland in many instances.

#### Fee Simple Purchase and Leaseback

This approach would require a large amount of public funds if pursued to any significant degree. However, its advantages are that it provides compensation to farmers in cases where land values are reduced and is an absolute means of preserving farmland. This approach also overcomes the high farm property tax problems which are claimed to cause the sale of farmland.

On the other hand, pride of ownership is lost and having the government as a landlord may not be workable. If this program is pursued to any significant degree, a large amount of public funds would be required.

The National Agricultural Lands Study reports two instances in the United States where this approach is being used.

#### Purchase of Development Rights

This approach is similar to the transferable rights approach except that the government itself actually purchases the development rights, rather than setting up a market for landowners and developers to buy and sell rights. Rights purchases could be retired, sold to developers and transferred to other lands, or used in whatever manner the purchasing agency deemed appropriate to meet goals established for the program.

There are several advantages to this approach:

- (1) preservation of farmland is absolute once the development right is purchased,
- (2) the farmer retains title to the land and pride of ownership is maintained,
- (3) property tax and inheritance tax problems are overcome because the land no longer has development value,
- (4) the farmer receives immediate compensation for the development rights given up, and
- (5) the public cost is less than for fee simple purchase of the farmland.

The National Agricultural Lands Study reports twelve programs of development rights purchase operating in the United States.

#### Agricultural Research and Education

Estimates of demand for agricultural land in the future are directly dependent upon the rate at which agricultural productivity increases. Recent trends suggest that the high rates of productivity growth experienced in the past cannot be maintained, even though yield improvements such as photosynthesis enhancement in crop production are achievable. In the National Agricultural Lands Study, for the estimation of farmland demand in the year 2000, it was shown that an increase in the rate of productivity growth from 1.25% per year to 1.5% per year would reduce the cropland demands by 18 million acres (from 389 million acres nationally to 371 million acres).

An increase in productivity has a similar effect to retention of farmland. The extent to which added research and extension expenditures produce future yield enhancement can only be speculated upon. However, based on historical experience, one would expect the dollar return to be high.

As of December 1980, a total of 14,000 farms covering three million acres were being preserved with individual agreements or by exclusive agricultural zoning. In the 1979 tax year over 4,500 farmers received farmland preservation credits totaling over \$6 million in



tax relief.

#### SUMMARY

In summary, the following points deserve further emphasis:

- (1) There is a need to identify clearly the issues and problems regarding retention of prime farm and forest lands.
- (2) There is a need to identify and evaluate a wide range of alternative policies that might be brought to bear on the issues identified.
- (3) It is necessary to recognize that every policy has costs and benefits and bestows them on gainers and losers; and because people have different perspectives, they prefer different policies as well.
- (4) The acceptability and effectiveness of a policy will largely depend upon the extent to which program costs are paid

for by those benefiting from the policy.

- (5) Finally, regarding the alternatives, there are a number of policies that are being considered and implemented nationally. They are generally of three types:
  - a. the free market,
  - b. regulations, and
  - c. incentives.Regulations as alternatives to the free market have received most of the publicity in the past, but the incentive approaches probably deserve more attention in the future.

#### REFERENCES

United States National Agricultural Lands Study. 1981. An Inventory of State and Local Programs to Protect Farmland. Washington, D.C.: Government Printing Office.



# Farmland Preservation: Lessons from Orange County

For years, state and local governments have experimented with a variety of growth management tools to maintain the economic viability of farming and to control spreading urbanization, public works projects, and other consumers of rural land. Orange County, North Carolina, is now in the process of instituting a Farm Preservation Program. This article describes the origin and nature of this program, evaluates its potential effectiveness at preserving farmland in Orange County, and makes suggestions for other North Carolina communities.

## FARMLAND DECLINE IN ORANGE COUNTY

The land in Orange County has been actively farmed since before the American Revolution. Except for urban development in and around the towns of Chapel Hill, Carrboro, and Hillsborough, Orange County remains predominantly agricultural. Its rural residents are proud of their lifestyle, characterized by the family farm and small crossroads communities.

Despite declines in farm acreage, agriculture continues to be an important economic activity in Orange County. In 1977, cropland and pasture occupied over 23% of the county's land area (OCATF, 1980). In 1978, income from the sale of farm products and government payments to farms totaled \$23.6 million, or roughly \$300 for each citizen of the county (OCATF, 1980). More than half of this income came from two commodities: milk and tobacco. Tobacco income averaged \$2,500 per acre. Orange County ranked fifth in milk sales among the state's one hundred counties (OCATF, 1980).

Orange County's farm acreage has been declining and its population has been growing at faster rates than in North Carolina as a whole. Since 1950, the county population has grown 133%, from 34,435 to 77,055 in 1980 (see Table 1). Over the same thirty years, the state population has grown 45%, from 4,061,929 to 5,874,429. County farm acreage has fallen nearly 60%, from 179,073 acres in 1950 to 87,344 acres in 1978. In the decade 1964 to 1974 alone, total land in farms declined by 33.3% percent in Orange County and by 21.8% throughout the state (OCATF, 1980).

As the county's population increases, more land must be developed for residential, commercial and industrial uses. In such an environment, the landowner who chooses to remain in

agriculture faces strong market pressures for more intensive development, an increase in taxes as a result of the increased market value of his/her property and an increase in public services demanded by the growing population. It also becomes more difficult and more expensive to expand farm operations by purchasing or renting additional land. The above factors combine to create strong incentives for converting agricultural land to other uses. Table 2 shows total and percentage declines in farm acreage in each township from 1955 to 1977. The three townships with the greatest losses (Chapel Hill, Eno, and Little River) were among the four townships with the fastest population growth rates from 1960 to 1980.

In addition to private sector development, public works projects can be significant consumers of agricultural land. Within the period from 1955 to 1977, Interstate 85 was constructed across central Orange County (Eno, Hillsborough, and Cheeks Townships). In addition to the land directly consumed for highway construction, I-85 has undoubtedly increased development pressure in these townships by reducing commuting times to Durham and Burlington. From 1955 to 1977, total cropland and pasture acreage in these three townships declined by 26.1%, while it declined by 19.1% in the other five townships (OCATF, 1980).

## THE FARM PRESERVATION PROGRAM

In response to these trends, the projected continuation of county population growth, and other concerns of Orange County citizens, the Board of County Commissioners established an Agricultural Task Force in May 1979. The Task Force, consisting of 27 full-time farmers and farm wives, was assigned four responsibilities (OCATF, 1980):

1. to consider the desirability of the County taking measures to preserve prime and/or unique agricultural lands and, if desirable, review techniques through which this might be accomplished;
2. to consider impacts of public works

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projects, such as roads, road construction, reservoirs, etc., on farming activities;

3. to consider impacts of farming on environmental quality, e.g., water, air, creation of nuisances;
4. to compile data on agricultural lands in Orange County, such as the rate at which farmland is being converted to non-farm use, and economic yield as a function of crop and soil type.

TABLE 1: Population and "Land in Farms"  
Data for Orange County, 1950 - 1980

YEAR	POPULATION	LAND IN FARMS(ACRES)
1950	34,435	179,073
1954		165,902
1959		149,968
1960	42,970	
1964		131,555
1969		110,741
1970	57,567	
1974		87,812
1978		87,344
1980	77,055	

Source: U.S. Census of Population and U.S. Census of Agriculture

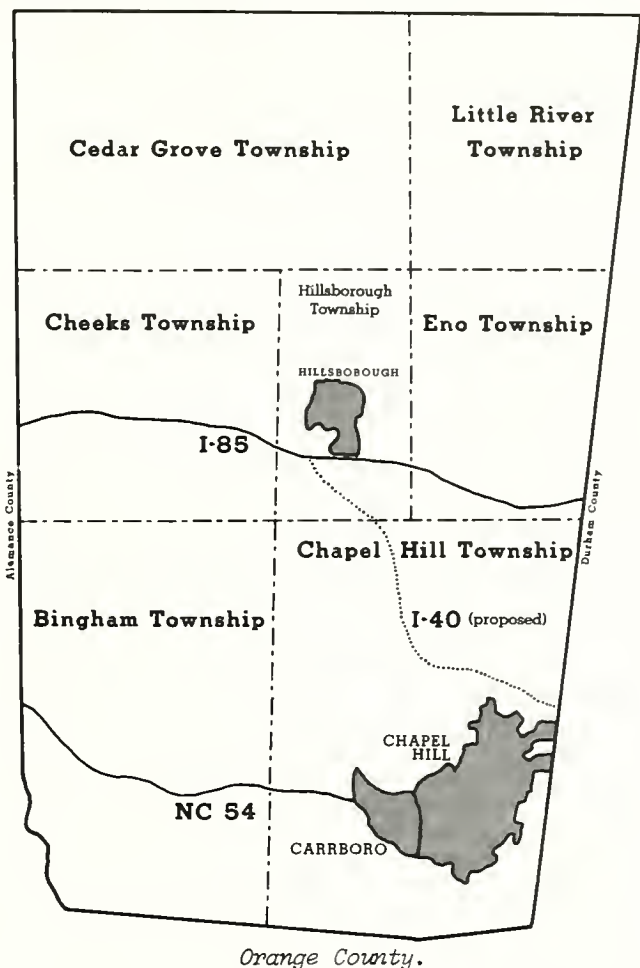
TABLE 2: County Farmland Change,  
by Township, 1955 - 1977

TOWNSHIP	Changes in "Cropland" and "Pasture"	
	ACRES	PERCENT
Chapel Hill	-5,531	-47.2%
Little River	-3,418	-32.0%
Eno	-2,406	-37.0%
Cheeks	-1,796	-18.1%
Bingham	-1,454	-1.6%
Hillsborough	-1,008	-27.8%
Cedar Grove	-165	-0.9%
ENTIRE COUNTY	-15,769	-21.1%

Source: OCATF 1980, Table 4-8 (from N.C. Crop and Livestock Reporting Service data)

After considering the problems facing agriculture in Orange County, the Task Force adopted the following four policy objectives "to provide a basis for county agricultural preservation and rural land use planning policies" (OCATF, 1980):

1. the problem of increasing tax burdens on agriculture should be alleviated;
2. the occurrence of complaints and nuisance suits against farm operations should be minimized;
3. the negative impacts of proposed public projects on farming operations and on prime farmland should be minimized;



4. relocation of farming operations due to non-farm development pressures should be minimized.

The Task Force's Farm Preservation Program, developed with the assistance of the Planning Department, seeks to alleviate the economic pressures and the physical development pressures facing the county's farmers and stimulating the conversion of farmland to other uses. To meet these objectives, the Task Force developed an incentive-based program which relies on the voluntary participation of individual farmowners. The program, as recently adopted by the Board of County Commissioners, consists of the following elements:

#### I. Four Classes of Participation

Class A: Farms enrolled in the N.C. Farm Preferential Taxation Program (assessment at use value).

Benefits: Use value assessment.

Class B: Farms enrolled in the N.C. Farm Preferential Taxation Program and covered by a twenty-year development

rights agreement with the county (prohibiting non-farm development on all but three lots meeting minimum Orange County zoning and subdivision standards).

Benefits: Use value assessment.

Class C: Farms enrolled in the N.C. Farm Preferential Taxation Program, and covered by a ten-year development rights agreement similar to that for Class B.

Benefits: 90% use value assessment.

Class D: Identical to Class C except that the development rights agreement is for twenty years and assessment is at 80% of use value. In addition, no property tax will be assessed on new farm structures on Class D farms.

Benefits: 80% use value assessment.

Additional benefits accruing to all classes:

- a. No assessment or fee for water and sewer extensions as long as no use is made of the extension by the farmowner.
- b. Disclosure statement required for all land transfers on tracts within 600 feet of a farm (informing purchasers about the preferred and pre-existing nature of the existing agricultural use).

## II. Voluntary Agricultural Districts

Formation: Signed agreement among participating farmowners to sustain agriculture within the district. Must consist of at least 640 contiguous acres of land enrolled in Classes A, B, C and D.

Benefits: Each district entitled to appoint one voting member to the Agricultural Advisory Board.

## III. Agricultural Advisory Board

To be composed of one member from each voluntary agricultural district plus nine other farm people appointed by the Board of County Commissioners. Tasks include the following:

- a. Review major private developments potentially affecting agriculture (as determined by the Planning Board), with

reports and recommendations forwarded to the County Planning Board and to the Board of County Commissioners.

- b. Review and approve agreements forming voluntary agricultural districts.

- c. Hold mandatory public hearings on the agricultural impact of the use of eminent domain on farmland, with results and comments forwarded to the governing body of the agency proposing use of eminent domain, to the N.C. Secretary of Agriculture, and to the Board of County Commissioners.

- d. Periodically review the Farm Preservation Program and recommend necessary changes to the Board of County Commissioners.

## Will the Program Discourage Farmland Conversion?

All four classes of participation in the Program include preferential taxation to reduce the tax burden of Orange County farmers and thus discourage the conversion of farmland to non-agricultural uses. North Carolina's Farm Preferential Taxation Program (G.S. 105-277.2ff) was enacted by the General Assembly in 1973. Preferential taxation programs assess participating farms at use value rather than at market value, creating a savings for the farmowner. To be eligible for use value assessment in North Carolina, a farm must be at least ten acres large and have generated from the sale of farm products an average gross annual income of \$1,000 for the preceding three years. Participation is voluntary; a farmowner must apply annually to the county tax supervisor for acceptance into the program. If the farm is otherwise eligible, counties may not condition acceptance on the signing of a restrictive agreement.

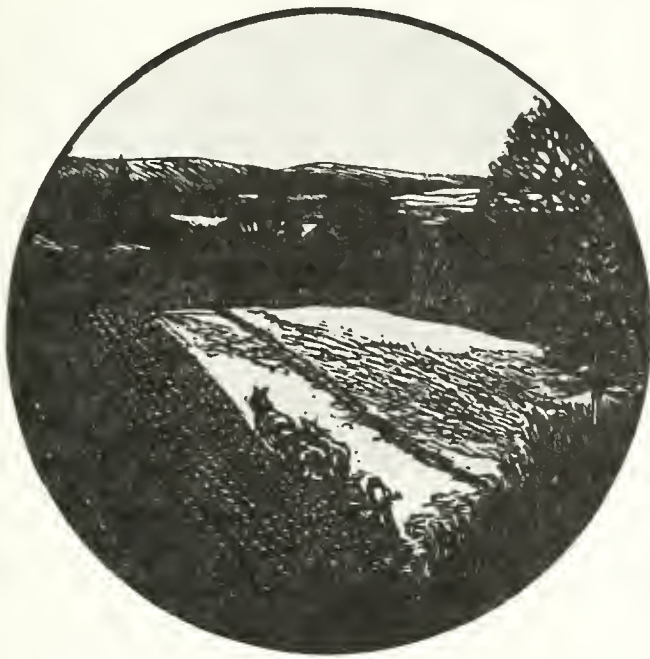
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PREFERENTIAL TAXATION ONLY DELAYS  
CONVERSION IN THE FACE OF URBANIZATION;  
IT IS NOT A PERMANENT SOLUTION.

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The state's Farm Preferential Taxation Program is administered by county governments as part of their regular property tax procedures. Once the county tax supervisor accepts a property into the program, the land is assessed and taxed at use value. At the same time, the tax supervisor assesses the property's full market value in order to keep a record for the calculation of deferred taxes. These assessments can change when each county undergoes a complete revaluation (every eight years). If the landowner sells the farm for any use or converts it to a non-agricultural use, deferred taxes for the preceding three years are due with 6% interest. If the landowner fails to notify the





tax supervisor of a change in ownership or land use, an additional penalty of 10% is levied on the deferred taxes.

The Orange County program proposes the assessment of Class C and Class D farms at even lower values (90% and 80% of use value, respectively). This below-use-value assessment will be granted in return for development rights agreements which will keep the land in agriculture for ten or twenty years. This additional savings is a give-away to Orange County farm-owners; there is no penalty for breaking the development rights agreement other than the regular three-year roll-back.

While the county may enter development rights agreements with landowners under North Carolina law, it currently may not assess property at less than use value. This would require new enabling legislation from the State General Assembly. In addition to the below-use-value assessment, the Task Force has proposed eliminating property tax assessments of new farm structures on Class D lands and exempting participating farmowners from assessments or fees for water and sewer extensions as long as the farmer does not tap into the extension. Orange County is in the process of introducing these ideas to the state legislature. Given the uncertainty of the General Assembly's reaction (even though the state agricultural lobby is very strong), Orange County might be better off relying on measures currently within its power.

In designing the Program, the Agricultural Task Force apparently gave little consideration to the effects that reduced valuation would have on the county's tax base. The property tax is the backbone of local government revenue in the United States. Agriculture is an important

class of property within Orange County. A reduction in farm property taxes will either reduce county revenues or increase the tax bills of non-farm residents (Hady and Sibold, 1974).

The proposed Orange County Farm Preservation Program should meet its objective of alleviating tax burdens on farmers. The savings will be greater for farmers at the urban fringe or in other areas experiencing strong development pressures; it is here that the larger difference occurs between market value and use value. The savings will be less for farmers in areas experiencing weaker development pressures.

However, differential assessments and roll-back taxes do not constitute a strong incentive to keep land in agriculture when the land faces strong development pressure (RSRI, 1976). Preferential taxation only delays conversion in the face of urbanization; it is not a permanent solution. Farmland on the urban fringe can frequently fetch a price for non-farm development which outweighs any tax savings accruing from preferential taxation. Rising taxes are only one reason for farmers deciding to sell their land. A farmer may decide to retire and sell some of his/her land to residential developers as a source of retirement income. As land is handed down within one family, some offspring may not want to farm it, preferring to sell the land to developers. In order to preserve agricultural land, other development guidance measures must be used, either alone or in conjunction with preferential taxation programs.

Control over private sector development is an essential component of any farm preservation program. After considering a variety of growth management tools, the Agricultural Task Force chose not to include mandatory land use restrictions in the Farm Preservation Program. The only measures which control private development are voluntary. The proposed Farm Preservation Program includes provisions for the formation of voluntary agricultural districts; these are not zoning districts.

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THE PROPOSED ORANGE COUNTY FARM PRESERVATION  
PROGRAM SHOULD MEET ITS OBJECTIVE OF  
ALLEVIATING TAX BURDENS ON FARMERS.

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Agricultural zoning can be either exclusive or cumulative. Agriculture, farm structures, and related farm residences are the only permitted uses under exclusive agricultural zoning. North Carolina law does not enable local government to use exclusive agricultural zoning. Exclusive zoning can be very effective at preserving farmland; however, it so restricts property uses that 'taking' challenges would be unavoidable. State law does allow cumulative agricultural zoning, which provides for agricul-

ture and non-farm residential development in an attempt to limit non-farm growth to uses 'compatible' with agriculture. Agricultural-residential (A-R) zones are commonly used by North Carolina counties. These zones provide landowners with alternative uses of their land (usually low-density residential development), reduce their concerns over the restriction of property rights, and avoid 'taking' challenges. A farmowner is still allowed to realize capital gains from the sale of land for non-farm development. The Agricultural Task Force chose not to include minimum lot sizes or other zoning provisions in the Farm Preservation Program because of the farming community's general opposition to land use planning regulations.

The use of a transferable development rights (TDR) program would achieve the same ends as agricultural zoning while allowing restricted landowners to be compensated by the market for development rights. While this option is very attractive, the Agricultural Task Force chose not to pursue it because (1) it was not clear how development rights initially would be distributed, and (2) public acceptance of such an esoteric program was uncertain given current attitudes toward land use restriction in rural Orange County (OCATF, 1980).

The purchase of development easements by



the county would be the most effective way to preserve farmland; it would preserve farmland indefinitely and fully compensate the landowner for restriction of the property's use. However, the high costs of such a program to the County government rendered it unattractive to the Task Force.

The measures presented in the Farm Preservation Program will be marginally effective at controlling non-farm development on agricultural land. Restrained by a conservative political atmosphere, the Program relies entirely on voluntary measures with weak incentives for participation. Participation in a voluntary agricultural district will yield the opportunity to elect a member of the Agricultural Advisory Board, which will have only review and comment power over private development. Enrolling as a Class C or Class D unit in a long-term development rights agreement with the County will provide property tax assessment at 90% or 80% of use value, if the Legislature provides the necessary authority. Many farmowners will not consider these benefits strong enough for them to participate in the program. Despite their pride in the rural lifestyle and their desire to keep agriculture viable, farmowners in Orange County do not necessarily want to limit their options of selling or developing their land.

In addition to the formation of voluntary agricultural districts and the voluntary development rights agreements, the only other mechanism in the Farm Preservation Program for controlling non-farm development is the Agricultural Advisory Board's power to review and comment on major private developments. The Planning Board and the County Commissioners will consider these comments in their decision to approve or disapprove a new development. However, they cannot disapprove the proposed development as long as it meets applicable requirements of the county's zoning and subdivision regulations.

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HOWEVER, THE COUNTY'S EXISTING ZONING AND SUBDIVISION REGULATIONS DO LITTLE TO CONTROL SCATTERED NON-FARM RESIDENTIAL DEVELOPMENT.

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Non-farm growth can be most effectively controlled by the integration of farmland preservation policies into Orange County's Comprehensive Land Use Plan and its joint planning agreements with the Orange Water and Sewer Authority (OWASA) and the towns of Chapel Hill and Carrboro. All of these documents currently contain provisions encouraging non-farm development (public and private) to locate in existing activity nodes rather than spreading throughout the county. However, the county's existing zoning and subdivision regulations do little to control scattered non-farm residential development. The county's Land Use Plan and joint



planning agreements, in conjunction with the new Agricultural Advisory Board's review and comment power, will inhibit large-scale and high-density development from locating outside of existing towns and designated "transition" areas. They will likely have a much lesser impact on low-density residential development, which will continue to be a significant consumer of agricultural land.

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ORANGE COUNTY'S EXPERIENCES PROVIDE VALUABLE  
LESSONS FOR OTHER NORTH CAROLINA COMMUNITIES  
ENGAGING IN FARM PRESERVATION EFFORTS.

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Will the Program Minimize the Impact  
of Public Works Projects?

In addition to controlling private development, local government must also exert control over the location of public works projects in its efforts to preserve farmland. The impact of Interstate 85's construction on the county's farm acreage was outlined earlier in the article. The proposed extension of Interstate 40 through Chapel Hill and Hillsborough Townships will undoubtedly increase their already high rates of farmland loss. Some loss will occur directly from the use of eminent domain to purchase land for highway construction. Perhaps more important will be the increased population growth and development pressure brought to the county by the decrease in commuting times to Durham and Research Triangle Park. Similar concerns have been expressed by the Task Force concerning proposals to widen I-85 and to construct a new by-pass of N.C. 54 in Chapel Hill and Bingham Townships (OCATF, 1980).

Two proposed reservoirs, Cane Creek (in Bingham Township) and Seven Mile (in Cheeks and Cedar Grove Townships), will also reduce the amount of available farmland. Land for the reservoirs will be purchased or condemned by eminent domain. The increased water supply may create an additional stimulus for further growth and further farmland conversion in the county. Since it is farther along in development than Seven Mile Reservoir, the Cane Creek project has generated heated debate within Orange County, pitting farmers against OWASA.

The Agricultural Task Force has included provisions in the Farm Preservation Program which attempt to avoid future conflicts between farming and public projects. One responsibility of the proposed Agricultural Advisory Board is to hold mandatory public hearings on the agricultural impacts of using eminent domain on participating farms, and to forward recommendations to the Board of County Commissioners, the N.C. Secretary of Agriculture, and the body governing the agency proposing the use of eminent domain. The Task Force has also proposed asking the General Assembly to grant the N.C.

Secretary of Agriculture veto power over the use of eminent domain on participating farms.

The formation of an Agricultural Advisory Board will help strengthen the voice of farmers in reviewing public projects and will strengthen the chance for due consideration of their concerns in county-level decision making. While the Agricultural Advisory Board will have no decision powers, its recommendations could be useful and influential in guiding development in Orange County.

LESSONS FOR OTHER COMMUNITIES

Farm preservation is both a land use management issue and an economic development issue. Any program to maintain agriculture as a viable part of the local economy and social structure must look at the full range of problems facing the agricultural sector and the full range of solutions within the power of local government. Orange County's Farm Preservation Program is innovative and broad-ranging, but it falls short in controlling the development pressures facing farmers. Orange County's experiences provide valuable lessons for other North Carolina communities engaging in farm preservation efforts.

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COMBINE LAND USE CONTROLS WITH ECONOMIC AND  
POLITICAL INCENTIVES FOR PARTICIPATION.

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Get good data on trends in the agricultural sector. Rely on the U.S. Censuses of Population and Agriculture, the N.C. Crop and Livestock Reporting Service, and other state and local agricultural agencies. Determine if land is being converted to non-farm uses or is being left fallow. Determine the causes of farmland conversion and farm failure.

Get farmers involved in identifying the concerns of the agricultural sector and strategies for addressing them. Despite their typical opposition to strict development controls, farmers realize the need for action. No farm preservation program will survive without their support.

Be creative. Explore non-traditional development management strategies. Combine land use controls with economic and political incentives for participation.

Don't give something for nothing. Strong commitments are essential. Penalties for withdrawal from a program are just as important as incentives for participation. Assess the potential impact of economic incentives on local fiscal capacity.

Rely as much as possible on existing local powers to control public and private develop-

ment. Orange County is now drafting new local legislation and proposing new state legislation. While current state enabling legislation limits what a local government can do, pressing for new state legislation is a risky investment of local resources.

Integrate farm preservation policies into the community's other planning efforts (comprehensive land use plans, capital improvement plans, etc.).

Pursue alternative farm management and marketing strategies. Preferential taxation is not the only means to relieve the economic burdens of farmers.

Even though the problems facing farmers are linked to regional and national economic trends, local governments need to counteract the political and economic forces constraining effective farm preservation. The task is necessary if North Carolina is to retain its rural character and agricultural economy.

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# Oregon's Senate Bill 100: One State's Innovative Approach to the Protection of Farmland

The State of Oregon instituted in 1973, under Senate Bill 100, one of the most innovative and comprehensive land management systems in this country. While often described as state planning, the Oregon program in fact represents a unique partnership between state and locality; one which allows local governments flexibility in solving local land use problems, while at the same time protecting significant elements of statewide planning concern.

The central foci of the Oregon program are its nineteen statewide planning goals, ranging in subject from housing to transportation, to environmental quality. The goals carry the weight of law, and each local government must prepare its comprehensive plan and implementing ordinances so that they are in conformance with them. A seven-member laybody, the Land Conservation and Development Commission (LCDC), was created to oversee the statewide planning process, with its chief responsibility being to review all plans and ordinances for goal conformance. The commission has substantial enforcement powers, and is legally able to prevent or nullify local land use actions it deems inconsistent with the goals.

From its beginnings, the Oregon program has had as a major focus the protection of agricultural land. Two of the statewide goals, the Agricultural Lands and Urbanization Goals (goals 3 and 14), and related statutory provisions, form the nexus of the farmland protection program. The Agricultural Lands goal is one of the more specific of the nineteen goals, and requires localities to inventory agricultural land, and to include within Exclusive Farm Use (EFU) zones all such land "suitable" for agricultural production. The goal further defines suitable agricultural land as that of predominantly SCS soil classes I through IV in western Oregon, and SCS classes I through IV in eastern Oregon. The provision thus requires the protection not only of prime farmland, but all land generally suitable for agricultural production.

EFU zones are defined by statute as allowing certain uses by right, such as the construction of farm-related buildings and dwellings and the harvesting of farm products. Other uses, such as non-farm residences and limited commercial activities, are allowed only by special permit. Such a permit is contingent upon the local governing body making four key findings of fact, that such proposed uses: 1) are compatible with farm uses, 2) do not seriously inter-

fere with farming practices on adjacent lands, 3) do not materially alter the overall land use pattern of the area, and 4) are located upon land generally unsuitable for agricultural production. While localities are solely responsible for making these findings, potential review by LCDC and a newly established Land Use Board of Appeals (LUBA) serves as a strong enforcement check.

An important component of the protective framework relates to the subdivision and parcelization of land within EFU zones. The Agricultural Lands goal requires that localities adopt provisions to ensure parcel sizes "appropriate for the continuation of existing commercial agricultural enterprise" (LCDC, 1977). A proposed dwelling's designation as a farm-related or non-farm use is determined by reference to the lot size necessary for a commercial agricultural operation. Proposed residences on lot sizes smaller than this standard are considered non-farm uses. Those on lots meeting the minimum standard are considered farm-related, and as such are allowed by right. Because of the diverse nature of commercial agriculture in Oregon, the minimum farm size necessarily varies from one region to another. In areas where specialty crops are grown, viable farm sizes may be quite small, while in the eastern portion of the state, where wheat and cattle farming are prominent, requisite lot sizes are considerably larger. Localities may develop minimum lot standards in several ways, by enacting one jurisdiction-wide minimum lot size, varied lot sizes for different areas of the jurisdiction, or by developing performance standards for judging future parcelizations on a case-by-case basis. The LCDC requires clear justification for whichever method a locality chooses.

Several other features of the program have provided localities flexibility in complying with the Agricultural Lands goal. One provision allows localities to exempt certain lands from EFU zones if it can be reasonably shown that they are already "committed" to urban or non-farm uses. A second provision, known as the "exceptions" procedure, allows localities to

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bypass goal provisions in certain limited situations. A locality may seek an exception to the Agricultural Lands goal, for example, to provide land for desperately needed rural housing. Before LCDC will allow such an exception, the locality must satisfactorily address the issues of need, alternatives, consequences, and compatibility.

The Oregon program recognizes that zoning alone will not ensure the viability of farming. Consequently, the program provides for strengthening the agricultural community. First, use-value assessment (with a ten year roll-back provision) is automatically provided to qualifying farmland. Second, local "nuisance" ordinances which unreasonably restrict normal farming practices (e.g. ordinances regulating farm noise or the spreading of manure) are generally prohibited from application within EFU zones. Third, farmland within EFU zones is legally exempt from special service assessments (e.g. sewer and water extensions). Finally, EFU farmland is assessed at its farm value for state inheritance tax purposes.

While the Oregon approach relies heavily upon protective mechanisms in rural areas, it also acknowledges the need to accommodate and guide growth around existing urban centers. Under Goal 14, the Urbanization Goal, all Oregon cities are required to establish site-specific Urban Growth Boundaries (UGBs) by which to separate urbanizable and resource land. The stringent EFU provisions described above do not apply within UGBs. When establishing the UGB, jurisdictions must provide sufficient land to accommodate approximately twenty years of future growth, taking into consideration reasonable predictions of future residential, commercial and industrial land needs. Debate over the size and content of UGBs has consumed much of LCDC's attention, and it has been unsympathetic when dealing with excessively large proposed UGBs, and where need has been inadequately documented. Once the UGB is established, it delineates the areas in which intensive forms of development may occur. The extension of urban facilities, such as public sewer and water, into areas outside of the UGB, for example, would generally be prohibited. Development within the UGB is also governed by a series of conversion standards which require, among other things, that land in central "urban" areas be developed before "urbanizable" land in fringe or outer zones.

#### CONCLUSION

At this point in the Oregon experience it is difficult to conclude much about its effectiveness at preserving farmland. A recent analysis of EFU administration in several Oregon counties indicates that a substantial number are frequently disregarding the protective standards



(Benner, 1981). Given the substantial property devaluations that typically accompany EFU zoning, and the inequities perceived by local elected officials, these actions are not difficult to understand. There is, however, reason to be optimistic about the Oregon program's success. As of January 1982, over fifteen million acres of farmland had been included in EFU zones, and evidence suggests that many, if not most, Oregon jurisdictions have made good-faith efforts at following statewide standards. Moreover, effective implementation of EFU standards should improve with time, as land value expectations, and in turn the perceived inequities of EFU regulations, are substantially lessened.

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A more extensive review of the Oregon program was presented at the conference "Land: Renewable Resources, Institutions and Use," Virginia Polytechnic Institute and State University, January 19-20, 1982. Copies of the conference proceedings can be obtained by writing the Department of Agricultural Economics, VPI&SU, Blacksburg, Va.



# Migrant Farmworkers- Those Who Would Be Saved

Every year, migrant farmworkers follow the Southeastern migrant stream from Florida to Delaware to harvest truck crops, crops that cannot be harvested by machine because they require human judgment in order to be picked when ripe. Many crops which end up in America's kitchens are harvested by migrant farmworkers: oranges picked in Florida; peaches from Georgia and South Carolina; tobacco, cucumbers, sweet potatoes, cabbage, squash, watermelons, and soy beans in eastern North Carolina; apples in northern North Carolina and Virginia; and mushrooms in Delaware.

North Carolina is in the middle of this migrant stream and is the summer host for 30,000 to 60,000 migrant farmworkers per year. These migrant workers are an increasingly important part of the agricultural economy of North Carolina. North Carolina migrant and seasonal farmworkers (those who live in a community year round but do not work full time at farming) harvested crops which represented almost \$2 billion in agricultural production in 1980; yet in North Carolina, migrant farmworkers receive a lower average wage than migrant workers in any other state in the country.

In his opening remarks to the Legislative Study Committee on Migrants (February 26, 1982), North Carolina's Commissioner of Labor, John C. Brooks, stated: "Without migrant farmworkers our crops would rot in the field, and our agricultural economy would be in a shambles." Even so, North Carolina does not have a very good track record concerning farmworkers' rights. In a 1979 report which focused on 20 agricultural states that employed migrants, Duke University Fellow Dr. Joshua S. Richert found that North Carolina was rated rock bottom as 20th among states which afforded legal protections to their farmworkers. The need for legal protection arises out of problems inherent in the crewleader system by which migrant farmworkers are hired. This system can easily lead to abuses concerning recruitment, wages, and the health and safety of the workers.

## Recruitment

In the crewleader system, a crewleader contracts with a grower to supply the grower with farmworkers for an agreed-upon sum of money. The money paid by the grower to the crewleader covers the crewleader's salary and fees as well as the migrant farmworkers' wages. Thus, there is a built in incentive for the

crewleader to pay the migrant farmworker as low a wage as possible; every penny that is not paid out in wages to farmworkers increases the crewleader's own take. The crewleader decides where the migrant farmworkers will go and what crops they will pick. In many instances, once a migrant farmworker joins a crew, he/she may



remain with that crewleader for the rest of his/her life.

While recruiting farmworkers, a crewleader is required by the Farm Labor Contractor Registration Act to inform the migrant worker, in writing, of the wages and conditions of employment, including what will be charged for room and board. However, many migrant farmworkers are not aware of the law and never see the required written statement. In a 1981 report for the North Carolina Chapter of the National Lawyers' Guild (Crewleader Violence Against Farmworkers in North Carolina by James Parker and David Hemingway), a staff attorney with the Florida Rural Services stated that "in his seven years of work with migrants he had never seen a written statement disclosing the information required under the act."

## Wages

Migrant farmworkers who are transported across state lines to work on a farm are covered by the Federal Fair Labor Standards Act and are therefore guaranteed the federal minimum wage.

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However, since "reasonable" deductions for food and lodging are permitted under the law, crewleaders are able to exploit their position by making deductions from the migrant farmworkers' wages for expenses for food, cigarettes, and alcohol (illegally sold at the camps), from the crewleader's "canteen". By selling these items at inflated prices, a crewleader is able to drive down the price of the labor, a practice reminiscent of price-gouging in "company towns". Often, housing for the migrant farmworkers is provided free of charge by the grower, but the crewleader will many times, deduct for it anyway. Additionally, crewleaders are able to set the piece rate (the amount of money paid per unit of picked crop) for work at a level below what the average worker could earn at a minimum hourly wage--further reducing the farmworkers' wages. Crewleaders are required by the Federal Wage and Hour Law to itemize all deductions in writing when the farmworkers are paid; many migrant workers are not aware of this regulation and it is not easily enforced.

#### Health and Safety

The average life expectancy of a migrant farmworker is 49 years, compared with a national life expectancy of 71 years; the mortality rate among the infants of farmworkers is three times the national rate (60 versus 20 per 1000 live births). The health and safety of migrant farmworkers is affected by four major factors: the living conditions of the camps, physical abuse by crewleaders, the lack of adequate health care, and the working conditions in the fields.

Presently, housing standards for migrant camps are regulated by three different agencies under three sets of guidelines: the Rural Manpower Service, the local public health department, and the Occupational Safety and Health Administration (OSHA) Division of the State's Department of Labor. There is much confusion and duplication of effort among the three agencies involved, which tends to discourage the grower from keeping abreast of the various regulations. The result is, more often than not, overcrowded and unsanitary living conditions.

North Carolina is the only major migrant state in the country lacking state legislation to prevent physical abuse by crewleaders. The report Crewleader Violence Against Farmworkers in North Carolina documents many instances of abuses by crewleaders, including beatings, threats with weapons, and kidnappings. Physical intimidation has been used to keep some migrants practically enslaved. In the last two years alone, there have been eight migrant slavery convictions in North Carolina. Presently, representatives of the Farm Workers' Legal Services, the National Lawyers' Guild, the North Carolina Council of Churches, and the Migrant

Seasonal Farmworkers Association are working on a draft for a state anti-slavery statute.

Another problem concerning inadequate health care is the lack of coordination among health care facilities which deal with migrant patients. Since health records are not transferred along with the migrants as they travel the harvest circuit, physicians have no reliable information about the types of tests and treatments a migrant has received. Needless repetition of some tests, such as x-rays, can harm the migrant.

Unsanitary facilities and unsafe working conditions also contribute to the poor health among farmworkers. For instance, use of a common cup in distributing water to workers in the field helps spread infectious diseases, including diseases brought into the United States by refugees who have joined the migrant stream.

Inadequate protection from pesticide poisoning is also a health problem for migrants. Skin rashes, eye infections, and uncommon lung diseases (referred to as "Pesticide Pneumonia") are all side effects which many migrants experience after working in a sprayed field. Often, health workers are able to tell, without asking, what crop a migrant has been picking by the skin rashes on different areas of his/her body: rashes under the arms and on the hands indicate tobacco; on the hands only, cucumbers; on the hands and shins, sweet potatoes. The rashes result from handling the sprayed crop while picking and loading it into the trucks.

#### Recommendations

Several recommendations for protecting migrant farmworkers from exploitation by crewleaders are outlined in a report by Rep. Fulcher's aide, David Johnson, (Legislation to Define a Fair and Equitable Relationship Among Farmers, Farm Labor Contractors and Farm Labor-

*Continued on page 28.*





## Progress in the Search for Tobacco Alternatives

Arnie Katz wants North Carolina tobacco farmers to start thinking about sweet potatoes.

As a staff member of the North Carolina Land Trustees (a nonprofit Durham based group), Katz is busy exploring alternatives to tobacco production. The sweet potato is just one of many vegetables and even fruits that can be grown successfully in the Piedmont area.

Katz's interest stems from fears over the future of the federal tobacco program, under which producers are guaranteed both a price and a market for their tobacco crops. It is very likely that major changes, including lower price support levels, will be made in the tobacco program within the next year.

The primary problem in switching from tobacco to other crops is marketing. Only tobacco offers the safety of a guaranteed market. One of the most profitable alternatives, vegetable and fruit production, is hampered by a complex marketing system of centralized terminal markets and brokers. This system is a difficult one for an independent farmer to break into and get crops marketed.

In spite of marketing difficulties, vegetable and fruit production is clearly a potential alternative to tobacco. Unlike grains, which require substantial acreage for profitability, vegetables and fruits can be profitably produced on three to five acre farms. A 1980 ranking of crops according to their net return per acre found that trellis grown tomatoes topped the list, followed by strawberries (fresh market), apples, peaches, and pick-your-own strawberries. Tobacco was ranked as sixth, with blueberries, cucumbers, watermelons and sweet potatoes rounding out the top ten.

Many tobacco farmers in the southeast grow a small amount of vegetables for their own consumption and for sale at roadside produce

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"TO THE PUBLIC OFFICIALS AND THE FARMERS OF NORTH CAROLINA, THE MESSAGE SHOULD BE CLEAR: DIVERSIFY."

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stands. Few farmers, however, have been able to substitute vegetable production for their current tobacco crop, primarily because of marketing difficulties.

A group of Chatham County, North Carolina farmers have decided to improve this situation. About four years ago, they established the Piedmont Vegetable Marketing Cooperative in an effort to strengthen their access to local and regional produce markets. The North Carolina Land Trustees assisted by holding meetings with other area farmers and providing technical help.

Katz is enthusiastic about the potential of the Cooperative, while realizing it faces an uncertain future. Currently, its main handicap is money. The Co-op needs to purchase a build-

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THERE ARE SEVERAL WAYS PLANNERS AND PRIVATE CITIZENS CAN WORK TOWARDS A BETTER DISTRIBUTION AND MARKETING SYSTEM...

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ing for collecting, washing, grading, and packing the vegetables grown by its members. While many Piedmont area farmers have expressed interest in joining the Co-op, only a few have been able to support it financially. As Katz explained, most small farmers do not have funds available to invest in the Co-op at this time of year.

Unfortunately, local banks have so far been unwilling to loan the Co-op the needed funds. Farmers interested in the project had hoped to borrow money from the Farmers Home Administration, but local FHA supervisors have not supported the Co-op venture. In general, the attitude of the FHA toward alternative crop production for tobacco farmers has not been positive.

Despite fiscal difficulties, the Piedmont Vegetable Marketing Cooperative has mapped out a strategy for vegetable production and marketing. Once the warehouse is purchased (if and when the funds become available), participating farmers initially will grow a mixture of three vegetables: sweet potatoes (75%) and cucumbers/peppers (25%). After the Co-op becomes established in local and regional produce markets, then members could decide to grow other vegetables as well. Katz emphasized that decisions in the Co-op would be made by a board of directors,

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comprised entirely of farmers. In addition, a manager would be hired to keep track of the produce markets.

The North Carolina Agricultural Marketing Project (NCAMP) is another group that helps small farmers organize to market their produce. NCAMP works on a smaller scale than that proposed by the Piedmont Vegetable Marketing Cooperative. It serves restaurants and independent grocery stores as well as private citizens through various farmers markets and direct marketing systems. There are eighteen cities and towns in North Carolina that have farmers markets or direct marketing arrangements. "This year," says Richard Pipan, co-director of NCAMP, "we are moving towards bulk marketing, which gets food to groups not served by the present distribution system -- schools, food buying clubs, and religious groups. So now we're trying to organize citizens as well as growers in order to expand the number of people who can benefit from cheaper, fresher food."

There are several ways planners and private citizens can work towards a better distribution and marketing system, according to Pipan. One way is to insist that local produce be featured in chain grocery stores. Planners can help by amending approved use ordinances to include farmers markets. For example, the town of Wilson, North Carolina has a system where any public land, church or school can be used for a farmers market on a permit basis. As pointed out by Pipan, existing structures can be used for a farmers market -- new facilities need not be constructed. Durham, North Carolina uses a recreation center for a farmers market.

With the establishment of better marketing opportunities, vegetable and fruit production is indeed a viable alternative to tobacco production for many farmers, especially those with small farms. The need to explore such alternatives is becoming more urgent as reforms to the tobacco program are proposed. As a recent editorial in the Raleigh News and Observer succinctly noted: "To the public officials and the farmers of North Carolina, the message should be clear: diversify."

*Continued from page 26.*

ers) to the Legislative Study Committee on Migrants. Among them are:

- Regulating crewleaders by establishing eligibility standards for licensing by the state.
- Establishing contractual guidelines concerning migrant farmworkers' wages.
- Legislating standards for piece rate work to guarantee the farmworkers at least the equivalent of the minimum hourly wage.
- Enacting a uniform housing code.
- Assigning migrant farmworker camp inspections to one agency, the Division of Health Services, which already has the trained personnel and has easier access to the camps through its regional offices.

In order to facilitate communication among health care facilities concerning tests and health care treatments of migrant farmworkers, health records could be transferred along with the school records of migrant children; North Carolina presently has a computerized transfer system for school records already in operation.

Presently, because of a national policy also followed by the state, only three OSHA standards which cover general industry are applied to agricultural work (one concerning tractors, anhydrous ammonia and minimum housing conditions for migrant camps). Existing standards for general industry, and/or new standards need to be extended to agricultural workers. For example, worker protection standards concerning warnings for pesticide spraying (including the posting of warnings in fields which are being sprayed or have been sprayed), establishing safe re-entry times for working in fields which are sprayed, and providing gloves, eye goggles and other equipment for protection against pesticide poisoning are all needed to ensure a safe working environment for farmworkers.

North Carolina is a state of highly productive farmland; it is the nation's largest producer of both tobacco and sweet potatoes, it ranks second in growing cucumbers for pickles, fifth in snap beans, cabbage, and green peppers, sixth in peaches, seventh in apples, but last in wages and in legal protections for the migrant workers who pick those crops.

On February 26, 1982, the first meeting of the Legislative Study Committee on Migrants in North Carolina was convened. Co-chair Rep. Malcolm Fulcher, from Carteret County, stated "I hope this commission will not be just another study commission." The migrant farmworkers who pick North Carolina's crops will soon be returning for the summer harvest. They have little time left for inaction.



# Water Supply and the Urban-Rural Conflict

As urban areas grow in size and population, they rely more heavily on surrounding rural areas for additional land and water resources. Such a situation has arisen in North Carolina's Chapel Hill-Carrboro area, an attractive residential location in close proximity to growing Research Triangle Park. In the last decade, the population of the area and the number of people served by the Orange Water and Sewer Authority (OWASA) have increased by 33%. If the expected growth trend continues, OWASA must locate an additional, reliable source of raw water to meet the projected demands of its service area.

The most desirable location for a water supply source is a relatively pristine watershed, free from point source pollution discharged by industries or waste water treatment plants and non-point source pollution generated by urban and agricultural land uses. Finding such a location is relatively difficult, and particularly so in rapidly urbanizing areas.

In a 1969 report, the New York engineering firm of Hazen & Sawyer identified Cane Creek and three other alternatives as future raw water supply sources. Of the four alternatives, the Cane Creek project was found to have superior water quality, have a protected water source and yield the additional ten million gallons per day desired. With cost and other factors in mind, the report urged that the Cane Creek project be authorized without delay and that steps be taken to acquire the site and design and construct the reservoir.

The Cane Creek project involves the construction of a dam and reservoir in a sparsely settled dairy farming community. In 1976, OWASA held a meeting in the Cane Creek area to inform residents of the agency's plans to flood the creek and surrounding farm and forest lands in order to provide for the water needs of its growing service area. As the meeting progressed and details of the plan were described, residents began to fear that OWASA had not taken into consideration the impacts of the proposed reservoir on those living and farming in the watershed, and how such impacts might be mitigated. Many Cane Creek residents began to view the reservoir as a threat to their lifestyles. They joined together to form the Cane Creek Conservation Authority (CCCA) to protest the reservoir project.

The residents of the area have good reason to protest the proposed project. Cane Creek is the center of a thriving dairy community. Twenty dairy farms are located in Bingham town-

ship in which the Cane Creek reservoir is primarily located. The Orange County Water Resources Task Force reports that this concentration of farms is the main reason Orange County ranks sixth among North Carolina's one hundred counties in milk production. If the Cane Creek project is constructed, 480 acres of land would be flooded, seven miles of streambed inundated, two families displaced, one road abandoned and one bridge relocated. Mature hardwood bottomland forests together with low-lying fields and pastures would also be lost.

A major consequence of the construction of the reservoir would be the disruption of present agricultural land uses. Two farms would be bisected by the reservoir, and residents maintain that the size and location of some of the remaining farm tracts would not be suitable for commercial farming. Area residents further maintain that their way of life and their land-dependent livelihood would be disrupted in order to alleviate water supply shortages in towns several miles away.

An associated threat to the Cane Creek residents is that posed by residential development which is often attracted to reservoir sites. As early as 1976, advertisements began to appear in newspapers for shorefront property on the proposed Cane Creek Reservoir. Related to this, the Water Resources Task Force reports that the population of Bingham township had increased 62.7% over the last ten years. Although the population is still relatively small, this is the highest percentage increase of the seven townships in Orange County.

If the reservoir is constructed, the assessed value of land adjacent to the reservoir is likely to increase. For farmers presently renting such land, this would result in increased operating costs. For farmers owning land, increased values would provide incentive to sell land at a profit. Because many of the tracts will be too small to farm, it can be expected that such parcels would be subdivided and sold for residential development. Cane Creek residents further expect that suburban newcomers would bring pressures against present agricultural practices, and that environmentalists would bring pressures against the use of herbicides and pesticides associated with agricultural activities. Residents contend that

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such pressures would be detrimental to the livelihood of the remaining dairy farms.

Since 1976, the Cane Creek Conservation Authority has represented the concerns of the Cane Creek residents. Their fears of agricultural land conversion and bedroom community development are not without precedent. The CCCA has acted in a watchdog capacity and has insisted that OWASA conduct its project to a strict interpretation of permit requirements. In order for OWASA to commence construction of the project, it had to obtain a U.S. Army Corps of Engineers 404 dredge and fill permit and a State 401 permit. It also had to be granted the power of eminent domain by the State Environmental Management Commission (EMC). At each level of decision making, the CCCA has been present as an observer and active participant.

The State 401 permit, certifying that fill material discharged into the creek during dam construction will not violate applicable water quality standards, was granted by the Division of Environmental Management in June 1978.

In order for the Corps of Engineers to grant OWASA the 404 permit request, the Corps prepared an Environmental Impact Statement (EIS) pursuant to the National Environmental Policy Act. The Final EIS was completed, and the 404 permit was issued to OWASA in August 1981. This permit, however, will expire in August 1982 unless construction at the dam site has begun.

The final major permission required by OWASA before construction of the project can begin is that of the Environmental Management Commission. As a result of litigation brought by the CCCA against the EMC, the EMC must prepare a state environmental impact statement pursuant to the State Environmental Policy Act. The Draft State EIS was completed in April 1982. When the Final State EIS is completed, the EMC will consider whether to grant OWASA the power of eminent domain. If the approval is granted before the August 1982 expiration of the 404 permit, and if the CCCA does not appeal the decision, OWASA could begin construction immediately, with possible completion of the project by 1986.

A project such as this raises many important and difficult issues: why a rural community should markedly alter its way of life to provide for increased water demands in urban areas miles away, and why farmers should have to anticipate land speculation for suburban development are just two of the many. There are no easy answers to the trade-offs involved in such issues, and decisions concerning them are not readily made. The efforts of the CCCA and of individual citizens have brought such questions before OWASA, the Corps of Engineers, the EMC and the general public of the area. Largely due to these citizen efforts, the project has been



*Dairy farm on tributary to Cane Creek.*

stalled and more attention given to studying potential impacts of the proposed project.

The future of the project and of the Cane Creek watershed is presently uncertain. If the EMC grants OWASA the power of eminent domain, all appeals are overruled and construction of the dam begins, the involvement of the Cane Creek residents will have produced one significant result. The OWASA Board of Directors has adopted a land policy for the Cane Creek watershed based on OWASA's intent to keep the reservoir from disrupting community life and from causing economic hardship to landowners. The Board's promotion of farm maintenance and preservation through this policy would also serve to protect and enhance the watershed and public water quality.

Several of the Board's land policies directly address the economic livelihood of the Cane Creek residents. For instance, OWASA may negotiate for the purchase of development rights of lands contiguous to the project as a means of ensuring that such properties remain in agricultural uses. Further, OWASA will support zoning the Cane Creek watershed for agricultural uses, low density development and public water supply purposes in order to protect the watershed. Finally, OWASA will support county tax policies that encourage continued agricultural use of lands in the Cane Creek watershed. If implemented, these policies will help to promote and maintain Cane Creek's agricultural livelihood and shield the area somewhat from encroaching urbanization.

Problems similar to this are occurring throughout the country as urban areas increasingly rely on rural areas for future land and water resources. Because such resources are limited and needed by both urban and rural residents, decisions concerning their use are of critical importance. As population increases continue, decisions of this nature will be made more frequently, and the balancing of urban and rural interests will become more critical.



# Can Rural Counties Cope With Recreation-Induced Development? Western North Carolina's Response

Western North Carolina is well known for its mountains and recreation opportunities. It is promoted as the state's mountain playground, and much of the region's income is derived from tourism and recreation resorts. Historically the region has been underdeveloped, sparsely populated, and has had large tracts of federal land. Asheville, the area's largest city, is one of only five cities in the region with a population greater than 15,000. Through the Great Smoky Mountain National Park, the Pisgah and Nantahala National Forests, and the Blue Ridge Parkway, the federal government owns about 25% of the land area in the eighteen westernmost counties. The major industry in the region has been natural resource-based timbering and logging.

For decades before the 1960s, little growth or change was apparent in western North Carolina. Then, between 1970 and 1980 the aggregate population of the eighteen westernmost counties increased by 17.5%. A major cause of growth is recreation development, especially resorts and second homes. The mountains have been a traditional summering place, but few large-scale second home developments were built before the late 1950s. Since then, second home subdivisions and resorts of fifty to several thousand acres have sprung up. These include retirement communities, ski resorts, and time-sharing condominium resorts.

Recreation-related development is improving the region's economy, but it is also bringing fundamental social changes to the region. Its population is increasing rapidly, with retirees as a major component of growth. Absentee land ownership is increasing. In 1979, a twelve-county study found that 82% of privately held acreage was owned by people from outside the county in which the land was held (Efird and Moretz, 1980). Out-of-state residents held 45% of that amount. Another study found that the average person buying nonfarm land in western North Carolina in 1977 lived over 400 miles from the property purchased. The corresponding figure for the state as a whole was 157 miles (Danielson, forthcoming).

In the past the region has attracted mostly low-wage, slow-growth industries related to textiles, furniture and paper. Current industrial development is accelerating in the region as a whole, but with a very uneven distribution. Numerous new plants are locating in counties near the Interstate 40 and 26 corridors. Coun-

ties with poor highway access, particularly those bordering Tennessee, have gained little new industry. Such counties generally have most of the region's federal land, have little industrial base to start with, and have experienced or will experience much of the recreation development growth. Recreation and tourism can be said to be their major industry.

The recreation industry has very different location requirements from factories. Remoteness, steep slopes, high altitudes, and proximity of federal lands are all assets. Accordingly, resort and second home developments seek out rural, mountainous areas. Such areas usually have few public services and land use regulations. The lack of services and controls is problematic, for recreation development is not without environmental problems. These include

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...SECOND HOME SUBDIVISIONS AND RESORTS  
OF FIFTY TO SEVERAL THOUSAND ACRES  
HAVE SPRUNG UP.

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narrow dirt roads that wash out easily, stream sedimentation, greater concentrations of private wells and septic systems, and unrestrained clearing of forested areas for recreational amenities.

The lack of county ordinances, combined with fears that the region's environment and natural beauty were being degraded, led to a 1975 state legislative proposal for regional land use planning and designation of areas of environmental concern. The Mountain Area Management Act, which was not enacted, met with regional opposition and is unlikely to be revived. Thus, any land use controls will have to come from the local level.

## OVERVIEW OF THE REGION

All but one of the four counties with population increases during the last decade of 25% or more have much stronger recreation development than industrial development. These are

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Henderson, Watauga, Macon, and Clay Counties. Henderson County is the exception, as it has been attracting both industrial and recreation development. Twelve other counties in the region experienced 10% or more population increases in the past decade.

New manufacturing plants have been attracted to Buncombe, Henderson, Rutherford, and McDowell Counties; and other more rural counties, such as Mitchell and Madison, have been seriously recruiting industry. In contrast, the six counties with sizable federal land holdings (30% or more in national parks or forests) have not been gaining manufacturing. Much of the recreation development has occurred in these counties, though by no means all of it. Such development has been concentrated in Transylvania, Haywood, Macon, Jackson, Avery and Watauga Counties. Tryon, Highlands, Cashiers, Banner Elk, Blowing Rock, Maggie Valley and Beech Mountain are examples of towns significantly affected by resort development. In addition, a spurt of individual home construction in Clay, Swain and Madison Counties may be attributed to recreation development.

Typically, local governments in the region have three to five part-time county commissioners and small budgets. Only three of twenty-three counties have FY 1982 budgets greater than \$11 million. Twelve county budgets are between \$5 million and \$11 million, and eight counties have budgets below \$5 million. Property tax rates are usually below the state average of \$.75 per \$100 valuation. County staffs are small, though some counties have professional managers or administrators. Few employ professional planners, and county staff who deal with land use matters are most often the sanitarians and building inspectors. Although these personnel are county-funded, they are responsible for enforcing state-mandated regulations.

Little land use or other formal planning has occurred at the county level. Regional land use plans mandated by HUD's 701 program for funding eligibility were prepared by the four regional Councils of Governments (COGs). None of those plans has been adopted as binding by the COG boards, which are made up of local officials. So far the COG and state Department of Natural Resources and Community Development field office staffs have prepared whatever plans have been required by federal agencies or requested by counties.

A phone survey of western county managers and planners indicated that, as of mid-1981, few counties had subdivision and zoning ordinances. Only six of twenty-three counties had subdivision ordinances, and three had county-wide zoning. Two other counties had partial or spot zoning. Subdivision ordinances were pending in three counties, and two counties were considering zoning. The number of counties with such



*Generalized map of federal landholdings in western North Carolina.*

ordinances has remained constant since the mid-1970s, but the specific counties have changed as ordinances were repealed or enacted. Table 1 lists current ordinances and staff capacities by counties.

#### THE STUDY

Given their records thus far, how likely are North Carolina's western counties to adopt land use controls? The answer depends in part on local governments' perception of the need for controls and their ability to enforce ordinances. To determine some of the factors affecting regional attitudes about land use regulation, interviews were conducted in six counties during summer 1981, by researchers with the Center for Urban and Regional Studies at UNC-Chapel Hill, with participation of the Center for Improving Mountain Living at Western Carolina University. The people interviewed--county commissioners,

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#### ...HOW LIKELY ARE NORTH CAROLINA'S WESTERN COUNTIES TO ADOPT LAND USE CONTROLS?

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savings and loan officials, builders, planners, sanitarians, and realtors--were asked questions related to growth management, major local growth-related problems, and land use regulation capacities.

The six counties chosen represented large amounts of federal land ownership (Swain), extensive resort development (Avery), established industry (Haywood), large amounts of retirement home development (Transylvania), long-established resort development (Polk), and mixed institutional and recreation development (Jack-



son). Table 2 gives thumbnail sketches of these counties.

### Summary of Findings

1. The existence of ordinances is related to size of county population, quality and amount of development. Generally, the easternmost counties are most likely to have considered or enacted ordinances. The most western counties, with small populations and/or large amounts of federal land, are least likely to have ordinances. Subdivision regulation has been given more consideration than zoning. Counties with some form of zoning, either partial or county-wide, include Polk, Madison, Wilkes and Henderson. Counties that have considered but not adopted zoning include Jackson, Avery, Macon, Caldwell and Watauga.

2. Subdivision ordinances have been adopted in counties where subdivision roads and services have caused problems. Zoning has been less accepted for a number of reasons: public opposition to interfering with a property owner's use of his land, perception that it is not needed, concern about political favoritism in granting variances, and distrusts about the equity of zoning.

3. Reasons for repealing or not enforcing ordinances included: change of county administrations; protests from builders, developers and realtors; lack of an enforcement mechanism or the means to afford one; controversy about specific situations affected by the ordinance; and unsuitability of ordinances based on state models. A compounding factor may be that ordinances were sometimes adopted without adequate consideration of how they would be implemented.

### Interview Discussion

The interviews revealed that western counties are moving cautiously toward land use regulation and land policy. A pattern of waiting until the need for regulation is perceived (usually when trouble is occurring) emerged. Most counties do not have the luxury of preventive measures because of limited staff and budgets. County leaders see their role as reading and responding to public mood and opinion. Many counties are too busy trying to balance their budgets for next year to think

much about programs for guiding future growth, despite their concern about the future.

Polk is the only study county that has zoning and subdivision ordinances. Both Haywood and Transylvania Counties have had subdivision regulations which were repealed. In Haywood County the ordinance was never implemented.

However, Haywood County is now reconsidering a subdivision ordinance, largely due to recognized septic system failures in low-lying subdivisions. County realtors and builders are now more favorable to a subdivision ordinance partly because they want rules for self-protection. The county planner has been working with members of the local builders' and realtors' associations in developing the ordinance. The proposal stresses pre-subdivision lot sale checks for septic system suitability, with enforcement by the county health department through septic system permits.

Transylvania County is also taking another look at a subdivision ordinance. Public protest of the earlier ordinance had resulted in a change of administration, repeal of the subdivision ordinance, and repeal of the county's sedimentation and environmental impact laws at the same time. Three of the five county commissioners in the repealing administration were realtors. The county planner is now drafting another subdivision ordinance with the support of the county commissioners' chairman and the planning board. The new proposal will be less restrictive for the "little fellow" than

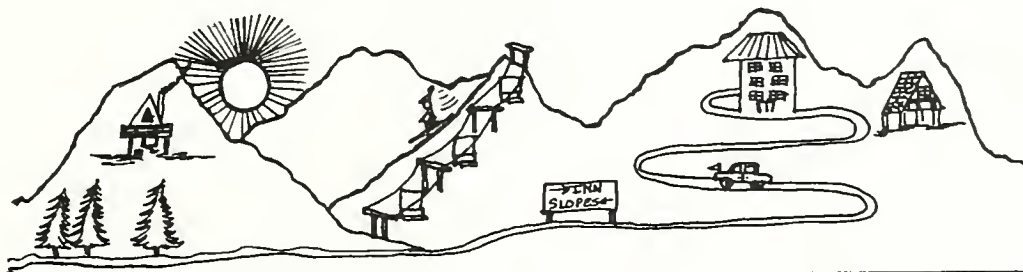
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...PROTEST OF THE EARLIER ORDINANCE  
HAD RESULTED IN A CHANGE OF ADMINISTRATION...

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the previous ordinance, in order to prevent opposition. It will stress minimum road requirements and lot suitability for septic and water systems. Those interviewed expect the ordinance to pass with little trouble.

Polk County has adopted industrial and rural residential-agricultural zoning for portions of the county. Jackson County discussed zoning at one time and a public education program about zoning was started, but the matter was dropped when another political controversy



came to the fore. Swain County is unlikely to consider zoning because of public animosity towards further government control of land. Avery County seems to have studied land use controls and zoning, but the study committee disappeared between county administrations. Transylvania County's current commissioners do not plan to introduce zoning in the next few years.

Haywood County is now considering zoning enabling legislation that would allow areas in the county to request zoning. The support for this is coming from residents of one second home subdivision who are concerned about high density residential development proposed near them. The draft proposal calls for five residential districts, including a mountainous, very low density district, three commercial, and two industrial districts. A step-by-step procedures section explains the ordinance. The county planner is now working with the head of the homebuilders' association to include the builders' perspective and develop a proposal acceptable to most of the developers.

Despite the scarcity of land use controls, most local leaders interviewed are in favor of zoning, if done reasonably, and subdivision regulations, principally as consumer protection devices. This opinion holds across county commissioners, realtors, savings and loan officers, and sanitarians. However, many say their counties are not ready yet for such ordinances and predict that enactment will occur in about ten years.

Concern was expressed about the quality of subdivision development, and people took pains to distinguish between developments done carefully and those done by "fast buck artists." Each county seems to have experienced some of the latter, but often one or more developers were cited as doing a good job. Generally, such developers were offering more than lots, and were able to construct the development gradually.

Overall, people felt that subdivision regulations would be accepted before zoning, principally because of problems with services in subdivisions, such as road maintenance. Acceptance would come through a need to protect consumers with minimum road requirements and tests of individual lots for septic and water

TABLE 1  
Planning and Land Use Control Capacity  
in 23 Western Counties

County	Position/ Ordinance	Planning Board	Planner	Building Inspect.	Zoning Ord.	Subdivision Ord.	Mobile Home Ord.	Floodway Ord.	Building Code	Plumbing Code	Electrical Code	Insulation Code	Sedimentation Ord.
Allegheny											•	•	
Ashe		•		•					•	•	•	•	
Avery				•						•	•	•	
Buncombe			•	•	+	R	•	•	•	•	•	•	
Burke		•	•	•			•		•	•	•	•	R*
Caldwell		•	•	•	P	•	•	•	•	•	•	•	
Cherokee		•		•				•	•	•	•	•	
Clay				•							•	•	
Graham		•		•				P			•	•	
Haywood		•	•	•	R/P	R/P	•	•	•	•	•	•	
Henderson		•		•	+		•	S			•	•	
Jackson		•		•				S	•	•	•	•	
Macon		•		•		P	P				•	•	
Madison		•		•	•	•	•	•	•	•	•	•	R*
McDowell				•				•	•	•	•	•	
Mitchell				•				•			•	•	
Polk		•		•	S	•		•	•	•	•	•	
Rutherford		•		•		•		•	•	•	•	•	
Swain		•		•							•	•	
Transylvania		•	•	•		R/P	R	•	•	•	•	•	R*
Watauga		•		•		•	•	•	•	•	•	•	R*
Wilkes		•	•	•	S	•	P						
Yancey											•	•	

• = Existing

R = Repealed

\* = Repealed by state request. State taking over enforcement.

P = Pending

S = Some provisions--less than complete geographic coverage.

+ = By township or area request





supply systems. Design and location considerations were less often mentioned. People interviewed stressed the need for subdivision ordinances to be sensitive to local custom.

In counties where subdivision ordinances were rescinded, the reason often given was that the standard ordinance form adopted was inappropriate to mountainous terrain. Another area where ordinances should be attuned to local custom is the practice of giving lots to children or relatives for home sites. Such subdividing should be exempt from a subdivision ordinance, according to many people interviewed.

Public acceptance of zoning was felt to be far away. Many interviewees seemed pessimistic when zoning was mentioned, despite their personal view of zoning as the most accessible and well known method of land use control. Their reaction could be attributed to anticipation of future conflict on the matter or remembrance of past battles. Most people interviewed defined zoning according to the usual designation of uses--residential, industrial, rural, etc., with provisions to restrict mobile homes. Some talked about density zoning or incentive zoning for industry, but most seemed unaware of alternative zoning approaches.

Based on the assessments of people interviewed, support from the county Chamber of Commerce and realtors' and builders' associations seems crucial to getting ordinances approved. These groups will support such ordinances if they are seen as giving protection to them, to industry and to home buyers. They want to see residential investments protected, and public services such as roads and water systems installed in such a way that the area qualifies for state maintenance.

Often, public support for ordinances comes from homeowners seeking to stop unwanted development. In many cases these are newcomers from areas where government intervention is more firmly established. With a few exceptions, county natives are perceived as having objections to zoning. It may be that a cohesive regional attitude toward land has directed its use until recently. As more non-natives buy land and move into the area, whether seasonally or permanently, and competition for land increases, regulation by custom and culture no longer works.

#### RECOMMENDATIONS

The recommendations proposed here are based on suggestions made by local leaders and are directed toward improving the capacity of local governments to deal with their largest growth sector, recreation development. Capital improvements planning and measures aimed directly at problems from recreation development are

recommended as first steps toward managing growth.

1. Counties should institute capital improvements planning and multi-year budgeting, as ways to estimate future service needs, costs and county revenues.

Capital improvements planning is especially important for timing major infrastructure needs requiring large expenditures, often important in attracting industry. Since water and sewer availability affects where growth occurs, extending capital improvements planning to location of lines would achieve a measure of land use planning. More counties have staff trained in budgeting than land use planning.

2. Local governments that face or expect to face large impacts from recreation development should adopt programs to assess those impacts and lessen any adverse effects.

County governments now have authority to require environmental assessments for all developments greater than two acres. Estimates of the development's size; terrain suitability; water, sewer, road and maintenance provisions; and effects on county services and transportation can be required in assessments. Council of Governments, Soil Conservation Service, and North Carolina Department of Natural Resources and Community Development field office staff can assist counties in evaluating assessments.

Counties should consider requirements for vacation developments based on their size and future service demands. This could be accomplished through a subdivision ordinance directed at second homes. Requirements could take the form of different permit fees, performance bonds or service maintenance funds, developer or homeowner association provision of services, and minimum lot sizes.

3. To supplement local regulations, counties should experiment with public-private sector programs through lending institutions, builders' and realtors' associations and other development-related groups.

Lending institutions could expand criteria for subdivision development loans to include lots' suitability for private water and sewer systems and site construction methods. Government staff (sanitarians, building inspectors, soil conservationists) could conduct education programs for development-related groups, covering "best practices" for construction, and state and local requirements. Such programs could be part of associations' meetings or special sessions sponsored by local technical institutes.

4. County governments should expand their staff capabilities by using existing resources such as Soil Conservation Service and state



field office staff, and by trying alternative staffing arrangements.

Use of part-time staff through contracts with Councils of Governments, joint city-county staffs, and sharing staff among counties should be explored. In addition, building inspectors and sanitarians should meet state competency requirements.

5. Because the region is predominantly rural, counties should explore multi-county approaches to industrial sites, water, sewer and solid waste services, and other projects.

Such arrangements might be appropriate for areas near county borders, providing cost sharing and greater economies of scale. Regional educational institutions, Councils of Governments and state field offices should publicize examples of multi-county efforts and assist interested counties in establishing joint programs.

Western counties have traditionally been without formal land use policies and development controls. Until recently such formal controls may not have been needed. However, the region's accelerating pace of development--particularly recreational development--is creating a need and pressure for controls. Counties are moving cautiously toward controls with support from diverse groups, but their efforts are hampered by public opposition, lack of staff and small budgets. A combination of capital improvements planning and a recreation subdivision ordinance is proposed for growth management as a means of dealing with regional institutional constraints.

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TABLE 2: THUMBNAIL SKETCHES OF CASE STUDY COUNTIES

Avery County

Population (1980)	14,409
Area	158,080 acres
Percent federal land	16%
FY 1982 budget	\$5,451,258
Property tax rate	\$0.47/\$100
Planning board	No
County manager/administrator	No
County planner	No
Land use ordinances	None locally initiated
1979 per capita income	\$4,546

Characteristics: Largest industry is resorts and second homes. Sugar and Beech Mountain Ski Resorts are in Avery County, as are several other high amenity resorts. Shrubbery culture is largest agricultural crop. Currently, a taxpayers' association, organized by county natives, is fighting property assessments. Present commissioners have no plans for land use ordinances.

Haywood County

Population (1980)	46,495
Area	347,564 acres
Percent federal land	37%
FY 1982 budget	\$9,313,912
Property tax rate	\$0.69/\$100
Planning board	Yes
County manager/administrator	Yes
County planner	Yes
Land use ordinances	None locally initiated
1979 per capita income	\$6,768

Characteristics: County is now considering a zoning enabling ordinance which would be adopted by community request. A subdivision ordinance may be considered after deliberation is finished on zoning. County has sizable amount of recreation development, particularly in Maggie Valley, and is now completing its 201 study. Land use ordinances have a chance, but several powerful landowners are opposed.

Jackson County

Population (1980)	25,811
Area	319,744 acres
Percent federal land	21%
FY 1982 budget	\$9,651,873
Property tax rate	\$0.60/\$100
Planning board	Yes, inactive
County manager/administrator	No. Chairman of County Commissioners serves full time in this capacity.
County planner	No
Land use ordinances	No
1979 per capita income	\$5,449

Characteristics: County split between Sylva, the county seat, and Cashiers, a recreation and second home area. Intensive recreation development in some areas; other areas very isolated. Western Carolina University tends to dominate employment.

### Polk County

Population	12,984
Area	149,888 acres
Percent federal land	None
FY 1982 budget	\$2,734,078
Property tax rate	\$0.457/\$100
Planning board	Yes
County manager/administrator	Yes
County planner	No
Land use ordinances	Subdivision ordinances; zoning of some areas.
1979 per capita income	\$8,229

Characteristics: County has a number of very wealthy residents and most of the part-time residents are older and well-to-do. Tryon is center of recreation development, but some new developments are occurring outside of Columbus. Split between Tryon and rest of county for water supply and schools, as Tryon has its own systems. County growth has been slow and steady. Resorts have been a key industry since the late 1800s.

### Swain County

Population (1980)	10,283
Area	348,288 acres
Percent federal land	68% (excluding Indian reservation)
FY 1982 budget	\$1,700,000 (est.)
Property tax rate	\$0.45/\$100
Planning board	Yes, mostly concerned with economic development
County manager/administrator	Yes
County planner	No
Land use ordinances	None locally initiated
1979 per capita income	\$5,705

Characteristics: Large federal park and Indian holdings have made county anti-government land use regulation. Lack of land for industry is a worry. County has very high unemployment; many people seek work seasonally in tourist business or cut-and-sew plants.

### Transylvania County

Population (1980)	23,147
Area	242,153 acres
Percent federal land	36%
FY 1982 budget	\$6,811,597
Property tax rate	\$0.69/\$100
County manager/administrator	Yes
Planning board	Yes
County planner	Part-time
Land use ordinances	None locally initiated
1979 per capita income	\$6,791

Characteristics: New residents have had a large impact on county government--four of five commissioners are not native county residents. Recreation development has been largely retirement-type resorts. One large recreational project started in 1971 has caused problems. County plans to readopt subdivision ordinances. County residents are debating the amount of future county growth, spurred on by a proposal to extend Interstate 26 to the county.



# New Strategies for Rural Economic Development

## INTRODUCTION

In these days of tight budgets and reduced federal assistance to rural areas, it is important to identify economic development strategies that can be effective in smaller cities and rural areas without large infusions of federal dollars. Our review of the literature on economic development in smaller cities and rural areas found a conspicuous absence of information on such strategies. Consequently, we set out to identify model rural development strategies which could be initiated and supported locally or by state governments.

In each of seven states, we interviewed staff of local development organizations and state officials to get a description of their economic development efforts. We uncovered a wide range of activities including small business assistance, innovative developmental finance institutions, industrial parks built by local development corporations, and state programs that provide technical assistance to local development organizations.

Local economic development is a process whereby local businesses, community-based organizations and state and local governments influence economic activity for the benefit of all local residents. To guide our assessment of these actors' efforts to shape local economic development, we used the following definition:

Local economic development is a process that increases income, employment and self-employment opportunities, and net tax revenues; improves the long-term stability of the local economy; improves, or at least maintains, the local quality of life and work; and otherwise enhances the well-being of the local population.

Within smaller cities and rural areas, the study identified many projects that fit this definition of local economic development. These projects represent locally controlled, community-based economic development efforts. They build on resources that already exist in the local economy: natural resources, existing businesses, and, most importantly, the talents, skills, and energies of the local population. They are small-scale projects initiated to strengthen the local business sector, and guided by people living in the area, often with help from state or federal government or other out-

side sources. In most cases, project leadership is furnished by a local development organization (LDO): a private agency with close ties to both the private and public sectors.

Joint public-private initiative was found to be essential in local economic development efforts. Many projects are not sufficiently profitable to attract strictly private investment, yet they require an approach that is more flexible and entrepreneurial than the sort public agencies usually follow.

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## JOINT PUBLIC-PRIVATE INITIATIVE WAS FOUND TO BE ESSENTIAL IN LOCAL ECONOMIC DEVELOPMENT EFFORTS.

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The three specific local economic development strategies presented in this article are industrial expansion, small business development, and new enterprise development. Under the first strategy a local development organization helps local manufacturing firms expand by providing assistance with infrastructure development, financing and skills-training. The second strategy involves helping existing retail, service, and small manufacturing enterprises stabilize or expand and helping new businesses start. Under this strategy, LDOs provide business counseling and assist in obtaining financing. With the third strategy, the local development organization identifies feasible business ventures and people to initiate them.

## STRATEGY I: INDUSTRIAL EXPANSION

In smaller cities and rural areas that have manufacturing bases, opportunities often exist for assisting individual companies to expand. The companies under discussion here are distinguished from small retail, service, and light manufacturing firms (discussed below under "Small Business Development") in two major ways. First, they have greater needs for physical capital: land, infrastructure (roads, water lines, rail spurs, etc.), buildings, and equip-

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ment. Second, they are likely to be more stable enterprises, with greater financial solvency and more solid management. These stable enterprises often have trouble financing growth. Consequently, programs for expanding industries generally offer two types of assistance: infrastructure contributions, and financing for plants and equipment purchases. A third type of assistance, presently underutilized, is skills-training for a company that is increasing its work force.

Helping local industries expand can be quite worthwhile in areas that have a manufacturing base and a relatively healthy economy. The approach builds on existing investment in the community; it is low-risk, since it targets existing companies of some proven permanence; it can result in the creation of relatively large numbers of jobs; and it bolsters local companies that already have some commitment to the area. Expansions can have significant multiplier effects in the local economy when the expanding firm has links with local suppliers and distributors.

#### Infrastructure Development

There is a role for the public sector in providing infrastructure for industry, particularly in smaller cities and rural areas where basic facilities like water and sewer services may be lacking. Industrial parks are particularly appropriate in rural areas because they are economical, and because they concentrate industrial activity in a small area and thus save land for agriculture, forestry, and other nonindustrial uses.

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IN SOME CASES, THE ABSENCE OF AN  
APPROPRIATELY TRAINED WORK FORCE  
HAS CAUSED SOME PLANTS TO SEEK  
NEW LOCATIONS FOR EXPANSION.

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Developing industrial infrastructure makes most sense when it is part of a larger economic development strategy or when it is designed to meet the needs of locally owned plants that have already made a commitment to expand in the area. Hundreds of smaller cities that constructed industrial parks in the past, usually with federal aid, learned that lesson; many went looking for tenants and found none. Today they own idle but costly infrastructure.

#### Financing

It is well known that many businesses have trouble obtaining long-term loans for the purchase of land, buildings and equipment. The public sector has tried to provide long-term financing for growth through, for example, industrial revenue bonds, state industrial development authorities, local development corpo-

rations, etc. Another public sector vehicle for responding to capital needs of expanding businesses is the revolving loan fund (discussed below under "Small Business Development").

#### Training

Skills-training is most often used as a means of meeting the work force needs of expanding businesses. In some cases, the absence of an appropriately trained work force has caused plants to seek new locations for expansion. A publicly funded training program may allow a company to expand locally.

A second role for subsidized training is helping to ensure that a number of economically disadvantaged people are hired when local industries expand.

Public support for expanding industries can be an effective approach to local economic development when there is a healthy local economy, a solid base of locally owned industries, and local support for industrial development. When these conditions obtain, public assistance with infrastructure development and financing can make the expansion of local industries more affordable. The training component provides a ready work force and helps ensure that economically disadvantaged people benefit from publicly supported expansion efforts.

#### STRATEGY II: SMALL BUSINESS DEVELOPMENT

In most smaller cities and rural areas, small businesses (fifty or fewer workers) are the mainstay of the local economy. These businesses are usually in the retail, service, or light manufacturing sectors, and most are owner-operated. Many have low capital investments and low rates of profit. Many of the owners have little or no business training. In management capability, the businesses can range from tiny "microbusinesses" with only a few employees, in which the owner may lack even basic skills in bookkeeping, financial planning, and marketing, to larger businesses whose owner-managers are beset by more complex management burdens, such as personnel and tax problems, and the concomitant need for more sophisticated planning and marketing skills. All of these small businesses rely heavily on commercial bank financing, but for several reasons, they have considerable difficulty in borrowing capital at affordable rates: they lack sufficient collateral, they cannot present a convincing business prospectus, and they are perceived in general as high-risk ventures.

An effective small business development strategy must address the basic needs of small businesses for financial, managerial and technical assistance. It aims to help new businesses start up and to help existing small businesses



expand into more profitable and viable ventures. As these needs are met, new jobs are created, incomes of owners and workers increase, and an important component of the local employment equation becomes more stable.

#### Business Counseling

Business counseling is the least expensive and possibly the most cost-effective approach to small business development, particularly in areas where many small business owners are untrained in financial analysis, marketing, and business planning. Efforts to assist them need not always be sophisticated or complex to be of real help. A program staffed by a generalist who has access to consultants for specialized problems can be quite effective in helping businesses improve their profitability, assess their potential for expansion, and even obtain bank financing. It seems more important to hire a person who can communicate well with local business owners than one who has formal business training.

The essence of counseling and technical assistance programs lies in helping the business owner to identify and solve his or her specific problems. The programs often utilize tools such as the Business Planning Guide, developed for the Business Information Center program in New England, which leads the business owner through a series of questions about goals (short-term and long-term), the current state of business, known risks and other basic issues.

#### Financial Assistance

Although business counseling programs can help small businesses obtain bank financing, there is often a need to supplement commercially available assistance. Supplemental financial assistance for small businesses can take several forms, the most prevalent of which are direct loans, loan guarantees, and equity investments.

All the forms discussed here are variations of the direct loan, which is the most common type of financial assistance offered by local organizations to small businesses. In the past, money to set up revolving funds for making direct loans has come from the Economic Development Administration (EDA), Community Services Administration (CSA), Department of Housing and Urban Development (HUD) block grants, federally supported regional development commissions, and state appropriations. The revolving funds serve several interrelated functions: they can make capital available to businesses that could not otherwise get a loan; they can increase the amount of money a business can borrow by leveraging bank financing; and they can lower the cost of capital by offering below-market interest rates.

Vermont's Job Start Program, for instance, a \$500,000 fund which was capitalized by state appropriations, lends money at 8% interest to very small businesses that cannot qualify for private financing, and helps them get off the ground by offering low interest loans. The

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Mountain Association for Community Economic Development (MACED) in eastern Kentucky draws on a \$500,000 revolving loan fund capitalized by EDA and has access to additional funds from the Appalachian Regional Commission, made available through the state development finance authority. For every \$1,000 it has loaned to local businesses, MACED has leveraged \$5,000 in private financing.

The most effective kind of small business development program is one which combines business counseling with financing services. In the coming years, however, the establishment of revolving loan funds will be a more difficult matter for local development organizations. Of the traditional sources of financing for revolving loan funds (EDA, CSA, the regional commissions, and HUD block grants), only the HUD grants remain viable. Local organizations should still be able to argue effectively for state capitalization of revolving loan funds, particularly in depressed rural areas. State governments, it is hoped, will recognize revolving loan funds as a good investment, since they allow a one-time commitment of funds to be recycled through the local economy for years to come.

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AN ECONOMIC DEVELOPMENT STRATEGY THAT  
BUILDS ON LOCAL RESOURCES AND TALENTS  
CAN BE QUITE EFFECTIVE IN DEPRESSED AREAS.

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The success of business counseling and revolving loan programs indicates that, in many smaller cities and rural areas, a supportive climate can draw out viable business proposals and help business firms start up or expand. In other localities, though, that result may not follow, or the effort may not be adequate to reverse a pervasive atmosphere of decline and pessimism. In those cases, it makes sense for local organizations to go beyond counseling, technical assistance and financing, and to take more active roles as initiators of new enterprises.

STRATEGY III: NEW ENTERPRISE DEVELOPMENT

The less economic activity there is in an area, the smaller the foundation to build on through industrial expansion and small business development, but the greater the role for a proactive organization interested in initiating new enterprises. The new enterprise development approach requires a local organization to research local opportunities for new businesses and to actively seek people to start such businesses, or even start the ventures itself. The approach requires a stronger local organization than does a technical assistance or loan program, but it can also have a greater impact

on the local economy. At its best, this strategy can lead to the creation of a network of local businesses that build on local resources and provide mutual support.

Research and Development/Venture  
Identification

In seeking opportunities for new enterprise development, the LDO should begin by conducting an inventory of the local economy. The first thing to look for is underutilized resources: natural resources, human resources, or infrastructure that could provide the bases for new businesses.

Natural resource-based development is of particular interest because so many rural areas have renewable resources that have never been tapped to their full potential. Natural resource-based development not only creates new jobs by spawning new ventures; it also enables people who are already making a marginal living through farming, fishing, logging, and similar occupations to raise their incomes and gain a more stable livelihood. Development based on natural resources may utilize waste products, turning them into marketable goods. It may build on skills already present in the local population, and often generates labor-intensive activities. Finally, the creation of one natural resource-based business often stimulates other businesses, thus creating linkages felt throughout the local economy.

The inventory of the local economy should consider the input requirements of local businesses, especially manufacturers. Local businesses may be importing items that could be produced locally. It may also be appropriate to investigate new product ideas for local manufacturers.

Start-up

After a product or service has been identified, developed and test-marketed, the LDO either finds an individual to operate the business or founds the enterprise itself. To initiate the venture, the LDO must arrange and structure properly both debt and equity financing.

While the strategies presented here have relevance to all smaller cities and rural areas, they may be absolutely essential for revitalizing economically depressed areas and places unattractive as locations for new branch plants recruited to the state. As the case studies of eastern Kentucky, northern California, south-eastern Oklahoma, and other states show, an economic development strategy that builds on local resources and talents can be quite effective in depressed areas. The full study offers more guidance on how various strategies can be pursued.



## LOCAL DEVELOPMENT ORGANIZATIONS

As noted, these three strategies require a local development organization to initiate and implement them. Since economic development is a long, protracted process, it requires strong committed leadership to sustain the effort. This leadership can be exercised more effectively if it operates through and is supported by a local organization.

Many of the economic development opportunities in smaller cities and rural areas are not profitable enough to sustain a strictly for-profit organization. Thus, a local development organization (LDO) might take the form of a community development corporation, a local development corporation, or a private nonprofit association, federation, cooperative, or multi-purpose corporation.

Successful LDOs of whatever form, share certain characteristics. The characteristics most important to success are: flexibility, strong and creative leadership, solid local support, adequate funding, and competent, dedicated staff.

### Flexibility

Flexibility includes a willingness to experiment, an ability to learn from mistakes, to respond to changing circumstances, and to seize opportunities when they arise. The Mendocino Fisheries Improvement Program exemplifies these traits. It has evolved over a short time from a one-shot, CETA-funded forestry demonstration project into a permanent stream clearance and wood salvage operation financed jointly by large timber companies and the State of California. The program's leaders have continually reassessed project activities and explored new ideas in seeking the right mix of marketable activities that would provide a stable base of program support. After an unsuccessful venture with marketing wood-waste products, the program has moved gradually into stream reclamation, redwood salvage, advising timber companies on land use policy, salmon population counts, and other activities.

Some development organizations carry flexibility too far. They take on a wide range of disparate activities based on the availability of funding. An organization with limited staff may spread itself too thin and lose its primary focus on economic development.

### Leadership

Effective leaders of LDOs have a vision of how the local economy can be developed. The leadership's commitment must be sustained over a long time period and it must realize that rewards will be slow in coming.

A classic example of strong leadership resulting in a strong organization is demonstrated by the Economic Development Corporation of Shasta County. The EDC's current director had from the first a clear notion of how to achieve development in the local economy. He believed that the process had to start with a period of intensive community education, that new investment could only be attracted by a well-prepared community, and that fostering expansion of locally based companies was the area's best strategy. He also believed that the organization had to cultivate a good relationship with bankers and business leaders and stay aloof from politics. Pursuing this philosophy steadfastly and patiently over several years, he has enabled the EDC to develop an extremely successful industrial park, become an aggressive packager of SBA and EDA loans, and act as a respected intermediary between industrial and environmental interests.

### Local Support

Since an LDO functions best as catalyst and facilitator, rather than as independent actor, it needs a broad base of local support to be successful.

One of the first audiences with whom a development organization must win credibility is the local business community, and particularly the bankers and investors. If the organization is to gain support in that quarter, it must make clear that it intends to help local businesses and banks, not compete with them. It must convince the local financial/business establishment that the operation of a revolving loan fund, for example, will not take business away from local banks, but will instead open up new deals for bank participation and help develop new businesses. Political support should follow acceptance by the local business community.



*Natural resource-based development enables people who are already making a marginal living through farming, fishing and similar occupations to raise their incomes.*

Closely related to the issue of local support is the question of the amount of territory a development organization should attempt to serve. From the standpoint of maintaining a strong local presence and achieving a visible impact, a smaller geographic area is better. From the standpoint of serving populations large enough to secure political strength and a solid funding base, a larger territory is more sensible.

#### Funding

Fund raising is a constant struggle for LDOs. Most of them have relied on state and federal grants to help cover administrative and staff costs and to help in financing their projects. Federally funded CETA and HUD programs have provided the start-up money for many LDOs, enabling them to operate their first projects and plan succeeding ones. With cut-backs in and elimination of several of the primary federal funding sources, LDOs will have to find new sources of support. Some organizations have obtained funds from foundations, churches, local governments and other local sources. Others subsist partly with the aid of small annual membership dues or contributions from local corporations.

Regardless of the overall funding picture, local fund raising is a good strategy, since it allows the organization to build local support while it is raising money. The EDC of Shasta County spent three years educating local business and community leaders about the potential for a local development corporation; it raised \$250,000 from local businesspeople and bankers as seed money for an industrial park in the process.

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#### A LOCAL DEVELOPMENT ORGANIZATION FUNCTIONS BEST AS CATALYST AND FACILITATOR RATHER THAN AS INDEPENDENT ACTOR.

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An innovative funding approach is utilized by the Maine Development Foundation, a statewide private nonprofit development organization with close ties to both state government and private industry. The Foundation solicits annual contributions from corporations, towns, and other public and private entities, who in return for their contribution become voting members of the Foundation. Money from the solicitation is matched equally by a state appropriation.

#### Staff

Although LDOs are often formed largely of and by volunteers, the organizations need paid staff in order to operate successfully. As discussed earlier, many successful development organizations believe that it is most important to hire staff who know the local area and who

can communicate with local people. Technical skills such as business counseling or loan packaging can be learned on the job (especially if there are experienced local people willing to advise the staff); basic interpersonal skills are harder to acquire.

The ideal LDO serves as an initiator, catalyst, and facilitator of development projects and as a source of technical and financial assistance to local businesses. In so serving, the organization may take on a number of functions: business counseling, research and venture initiation, facilitation/intermediation, loan packaging/financing, and industrial development. The particular range of activities that an organization undertakes should depend on local circumstances: the services lacking in the area, the capacity of the local economy to use new services, and the ability and resources of the organization itself. Few organizations, of course, spring up full-blown, performing the complete array of development functions. They evolve over a period of years, adding some functions and dropping others on the basis of what works most effectively.

#### THE STATE ROLE

The traditional state role in promoting economic development focuses on recruiting new industry and helping to finance industrial development, while additional influences are implicit in its taxing, spending and regulatory policies. In recent years, this traditional approach has come under criticism for several reasons.

In many cases, state government provides financing at below market rates, waives or defers taxes, trains workers at public expense, widens roads, extends water lines and improves waste treatment facilities, all for a company that might have located in the same area without those incentives. Furthermore, since state efforts are targeted to major corporations, they assist companies that may need help the least and bypass the smaller, locally owned firms most in need of assistance. Finally, recruitment and industrial development have not been successful in certain types of places, particularly smaller cities and rural areas that are far from urban centers and remote from transportation networks. Many local development groups in such areas have carried out expensive promotional campaigns and developed even more expensive industrial sites only to end up as the owners of unused infrastructure and vacant industrial parks.

This study sought out models for a different kind of state role: state support for locally initiated, locally controlled economic development efforts. There are four categories of supportive state activities: formulation of



a development strategy; provision of capacity-building services, technical assistance, and funding for local development organizations; financing for local business development; and coordination. Every state revealed a dominant motif in supporting local economic development.

As the states come to play a larger role in economic development, it is important for them to develop conscious, explicit strategies to guide their actions. A state government does not need to develop a formal, comprehensive economic development or small city and rural area policy; it does, however, need to reach internal agreement on a basic approach to local economic development.

In settling on its basic approach, the state (or key state agencies) must consider three issues: the types of economic development activities it will support, the types of entities that can best carry out those activities, and the basis for allocating assistance for those activities throughout the state. The dominant approach in most states--industrial development--can be characterized as follows: the primary economic development activities supported by the state are plant expansion and plant recruitment; the major actors are private corporations, assisted by local and state industrial development agencies; and the distribution of state assistance reflects corporate decisions on plant siting.

California offers a different model, one more in line with the perspective of this study. There, two state agencies have in recent years pursued an approach to economic development that is based on building up the capability of local development organizations and nurturing small businesses. The Employment Development Department has a well thought out rural economic development strategy based on the recognition that economic development is a protracted process requiring local commitment and support. Over the years, it has supported fledgling organizations and tolerated the short-term mistakes of those organizations as part of the learning process. Many of the economic development projects discussed in the California case study owe their existence to start-up funding from this agency. Similarly, the Office of Local Development has helped build up LDOs by contracting with some of them for the provision of technical assistance to other local development groups.

If it were to adopt the approach advocated in this study, a state would concentrate on helping LDOs promote industrial expansion, small business development, and new enterprise development. It would target its assistance to areas in which there were organizations ready to take local initiative, giving priority to economically depressed parts of the state, and it would be prepared to respond quickly to local

economic crises. A state would carry out this approach to local economic development through two sets of activities: capacity-building/technical assistance, and financial support.

Capacity-building services and technical assistance from the state are especially crucial to smaller cities and rural areas where local sources of assistance are often inadequate. As much as possible, the state should help build skills within local organizations and increase their self-reliance; in some cases, though, it is also necessary for the state to provide specific technical assistance through consultants, state personnel, university staff, or other resources. The state's role in this area can range from the modest one of educating local organizations about project ideas to the ambitious one of helping to create local organizations where none exists. In the latter case, the key steps are to identify local leadership and to support that leadership in its efforts to build an organization. Massachusetts' Community Economic Development Assistance Corporation illustrates how a state can provide a nearly complete package of technical assistance and capacity-building services to local organizations.

The question of state financing for local economic development projects is a complex one and a subject about which much has been written in recent years. From the evidence of the financing programs examined in this study, two points can be made. First, federally supported revolving loan funds in rural areas have been effective in leveraging bank loans for businesses that otherwise could not have started up or expanded. Since federal funds are no longer available to capitalize new revolving loan funds, states ought to consider establishing



*Small businesses rely heavily on commercial bank financing.*

revolving loan funds in smaller cities and rural areas. Second, state financing works best when it is accompanied by a strong local presence in the form of a local staff which can help develop business opportunities, counsel local businesses on their expansion plans, and ensure that local workers benefit from business development. This suggests that states would be wise to use substate development organizations as intermediaries for state financing programs targeted to smaller cities and rural areas.

Central to all these state activities--setting policy, determining strategies, and providing financing and technical support for LDOs--is the issue of coordination. To achieve success in economic development efforts, the state must coordinate its actions with local organizations and with federal programs; state agencies must cooperate with each other; and, most important, the public and private sectors must work together. Coordination in this sense means the linking and meshing of an overall state strategy with capacity-building and financing activities to form an effective total package of state support for local economic development.

#### CONCLUSION

In the face of diminishing federal resources for economic development, it is impor-

tant for states and localities to realize that there are effective local economic development strategies that they can initiate and sustain. These strategies, outlined here and discussed more fully in the study, involve relatively small scale projects which are locally controlled and which build on local attributes--the natural resource base, existing business entities, and the talents of the local population. These projects can be successful particularly where they are initiated by a joint public-private local development organization and supported with coordinated financial and technical assistance from the state.

This article is based on The Facilitator's Role in Collaborative Rural Development, a study published in November 1981 by MDC, Inc. The study was funded by the U.S. Department of Labor, Office of National Programs. The conclusions and opinions expressed are those of the authors: Sarah Rubin, Debby Warren, and Linda Jacobs, of MDC and Dr. Emil Malizia, Associate Professor of City and Regional Planning at UNC, Chapel Hill. The report includes 85 pages of text and 200 pages of detailed case studies on rural economic development activities in seven states: North Carolina, California, Kentucky, Maine, Massachusetts, Oklahoma and Vermont. Copies of the report are available for \$10.00 from: MDC, Inc., P.O. Box 2226, Chapel Hill, N.C. 27514, (919) 968-4531.







## Book Review

**Modernizing the Mountaineer: People, Power and Planning in Appalachia.** David E. Whisnant, Appalachian Consortium Press, Boone, North Carolina, 1980. 296 pages.

Social and economic planning in Appalachia has long been prefaced on the assumption that the region is a poverty-stricken subculture of the greater, more affluent nation. As urbanization and industrialization have provided for the wieldy development of the greater nation, so the thinking has been, the same process could likewise enrich Appalachia. Trapped in this mindset, posits Whisnant in Modernizing the Mountaineer, planners launched an urban-industrial campaign for this 'backward area' predicated on inappropriate and unexamined assumptions. Failing to recognize the consequences of discounting socio-cultural uniqueness, planners instinctively prescribed the urban-industrial development model as a cure for the lagging economy.

Each of the three main sections of the book addresses a particular application of this regional development model. Part I examines the Council of Southern Mountains, an 'umbrella' organization for non-secular Appalachian development. Parts II and III analyze federal and state/sub-state programs, respectively. Through case studies, Whisnant traces for the reader the evolution of planning in Appalachia.

### THE VISIONS OF ASSIMILATION

Introduced in 1933 as a project that "touches and gives life to all forms of human concern" and provides "a picture of the world as it might be", the Tennessee Valley Authority (TVA) was celebrated as the most idealistic and comprehensive planning effort attempted to date in the United States. Claiming that "what God had made one, man was to develop as one," Director David E. Lilienthal envisioned a unified regional development which would treat widespread economic and social problems and integrate natural resource use to the development effort.

During its first two decades TVA tamed 650 miles of the flood prone Tennessee River and its tributaries, built 20 dams, reforested 800,000 acres, and aided more than 68,000 farmers in developing methods of advanced technology farming. In a nation hard-hit by the Depression, employment increased in the valley 20% more

rapidly than in the area outside: The early years of the agency offered great promise.

Beginning in the 1960s, fed by a growing cry for government accountability to the people, the political, social, and resource policies of TVA were subjected to heavy questioning. In weighing costs against benefits many critics charged that the program had lost touch with its mission. To meet escalating power demands TVA had turned from hydropower development to producing electricity through coal-fired generating plants. In so doing, TVA pursued aggressive and destructive policies on strip-mining.

By 1968, TVA had relocated in excess of 125,000 people, condemned 2 million acres of land for hydropower generation, and acquired more than 375 million tons of coal reserves. Purchasing coal "in quantity and on a long-term contractual basis from non-union stripmines," TVA radically altered the structure of the coal industry in Appalachia. TVA's coal-buying policies led to further anti-competitive integration of the industry, cites Whisnant, as large companies that opened stripmines to fill TVA contracts "were owned and operated by multinational energy conglomerates."

As criticism of TVA escalated, the federal government instituted major new development programs to redirect this negative attention. Passed on May 1, 1961 the Area Redevelopment Act (ARA) authorized millions of dollars to be spent in the depressed coal-counties of Appalachia for industrial loans, public facilities, technical assistance programs, and job training. It was the first in a succession of federal-community partnerships that 'guaranteed' to modify regional unemployment.

Whisnant traces the rapid demise of this program to its partnership nature. "For ARA to work, a number of assumptions had to prove tenable: that the necessary jobs should be generated in the private rather than the public sector; ...that the 'private sector' would and could create jobs at a justifiable cost; and that the direct benefits to the entrepreneurs who would receive most of the federal money would in fact 'trickle down' to the unemployed."

The Economic Opportunity Act of 1964 inaugurated the War on Poverty in the region. Conceived of by John Kennedy and carried out by Lyndon Johnson, the "hodge-podge of a poverty poultice" suffered weeks in congressional and task force debate which severely weakened the unified strength of the original plan. Refusing to acknowledge that the corporate monopolization of resources that had gradually taken place over the 'development' years in Appalachia had contributed to regional poverty and unemployment, the Johnson Administration designed a program that had little hope of success. "Poverty was to be eliminated by reinforcing and extrapolating the system whose irrational and inequitable operation had destroyed the region in the first place."

As a logical outgrowth of this War on Poverty, the Appalachian Regional Commission (ARC) was plagued by the same ills as previous programs. In signing the act in 1964 President Johnson called it "the truest example of creative federalism in our time." Whisnant claims, however, that it was much less than creative in its approach to development. The program failed to address the region's most critical needs: unemployment, the proliferation of low-wage industry, absentee ownership, inequitable taxation, and lack of essential human services. The focus of ARC was, instead, to complete a highway corridor system, to encourage further industrial development, and to sponsor the building of non-controversial vocational education schools. At the same time, ARC portrayed to the "rest of the world" a vision of the Appalachian people as "quaint cultural anachronisms, insulated by pride from the realities of modern life."

In the years following its inception in 1913, the Council of Southern Mountains assumed a certain preeminence in Appalachia. From its headquarters at a small Kentucky college, the Council served as a forum for some limited debate concerning policies for regional development, yet prescribed policies disappointingly shallow. Reflecting the administration's views and those of conservative missionaries, claims Whisnant, the Council broached programs for Appalachia which were paternalistic and forged to cosmetically treat the regional problems. It called for "god fearing homes; agriculture fitted to the mountains; better roads, schools, and recreational opportunities; and stronger churches."

By 1960 the Council was heavily criticized for its development policies. Sandwiched between its traditional belief in missionary politics and a need to respond to such controversial issues as resource exploitation, housing shortages, and rising unemployment, Council members concluded that relocation was imperative. The move to the coalfields of Dickenson County, Virginia stemmed from a perceived need to be closer to the problems besetting the region and

to help develop a regional consciousness which might aid in returning control of Appalachia to its own residents. A major initial goal was the fabrication of development strategies which would avoid the tendency to assimilate mountain culture to that of mainstream America.

To what degree this regional consciousness, self-control, and local development strategies have materialized is in question. Subject to staff disagreements, budget constraints, and an environment largely controlled by non-poor, non-resident, and non-working class people, the Council "has been largely an anachronism during its final decade." Interest, cites Whisnant, had shifted to single issue-oriented groups at the community level, and to federal programs on the regional scale.

Whisnant comes finally to conclude that regional development is best practiced as proceeding from cultural conservation as fundamentally as from technical enterprise. Debates, he claims, over the technical details of development theory and practice are at most secondary to an understanding of the deeply rooted spiritual, psychic, and cultural values of each region.

Throughout the book Whisnant has sought to illustrate Appalachian developers as extenders of mainstream American culture. By turning only to the culture external to the region as a yardstick by which to measure program success, these planners failed to address local needs and to respect a local cultural tradition. The failure of program after program which sought to industrialize and urbanize Appalachia speaks to the inappropriateness of the model's application to this culturally distinct region.

The implications for future planners in the region are not obvious: what Whisnant fails to offer is a viable alternative to this model. He critically and comprehensively examines each development program, but evidences no creative response to the problems identified and agreed upon. Perhaps these 'problems' are, as he maintains, symptomatic of the uneven capitalistic development of Appalachia. If so, and if we will, as he claims in summary, "ultimately get only the kind of development allowed by our level of cultural sensitivity, sanctioned by our values, demanded by our ethics," what will that be?

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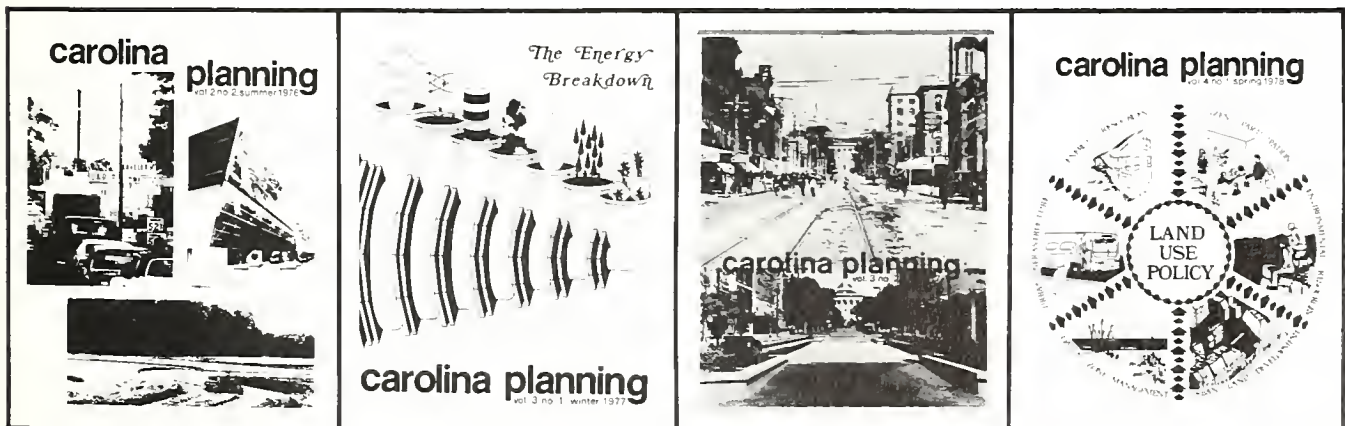
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